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Note: Tons are metric and dollars are U.S. unless specified otherwise.

The International Economics Division's program of agricultural situation and outlook analysis and reporting includes the following regularly scheduled publications: The *World Agricultural Outlook and Situation* published three times annually; regional reports on Asia, Africa, China, Eastern Europe, the Middle East, the Soviet Union, Western Europe, and the Western Hemisphere published annually; the *Foreign Agricultural Trade of the United States* published bimonthly; the *Food Aid Needs and Availabilities Report* published semiannually; and the *Outlook for U.S. Agricultural Exports* published quarterly. Information on obtaining these publications is enclosed in the back of this report.

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Summary

Faltering World Demand Limits U.S. Exports

Weaknesses in the world economy continue to restrain U.S. export values. Low growth rates in the major industrialized countries have boosted unemployment, dampening consumption of food and agricultural products. Limited foreign exchange in many developing countries has curbed their ability to increase food purchases. Also, slowed export growth and credit constraints in some centrally planned countries have diminished their imports.

Firming petroleum prices will not help the foreign exchange situation in oil-importing countries. Petroleum, which is sold for U.S. dollars, is more expensive in many countries whose currency has depreciated relative to the dollar. The stronger dollar has raised the cost of U.S. exports, encouraging some customers to buy from other sources.

World agricultural commodity prices have strengthened in recent months, primarily in response to higher livestock prices resulting from reduced pork production. But overall commodity prices continue below a year ago because of sluggish demand, large crop supplies, and prospects for bountiful 1982 harvests. World food grain supplies will likely increase because both wheat production and stocks will expand to 458 and 94 million tons, respectively. Meanwhile, rice supplies may be about the same as this year—276 million tons. U.S. food grain production may decline more than 2 million tons, primarily a result of acreage reduction programs. Although the Southern Hemisphere's portion of the 1982 world coarse grain crop hasn't been planted yet, early-season prospects suggest another record global harvest. Continued large production, along with sharply increased stocks that will be carried into the new marketing year, will hold down price increases, encouraging expanded use. However, even with increased use, U.S. stocks will likely grow.

World oilseed production in 1982/83 is forecast to rise slightly to 175 million tons, up from 173 million this season. U.S. soybean exports this season are above a year ago and are expected to be a record 24.5 million tons. This year's strong exports are projected to continue next season. However, ample oilseed supplies will likely moderate price rises.

Total world meat production may decline slightly less than 1 percent, mostly from the forecast drop in U.S. pork output. Global production of beef and veal will remain relatively constant, and poultry may gain less than 1 percent, compared with over a 5-percent rise last year.

A 96.3-million-ton record outturn of sugar, which pushed world prices to 4-year lows in May and June, will keep pressure on prices. Similarly, record coffee and cocoa crops will keep prices near recent levels for the rest of the year.

Total cotton production will likely decline to 67.5 million bales this year—mostly in the United States, because of the 15-percent acreage reduction program and a return to average yields. U.S. exports, however, are forecast to rise to 7.3 million bales, up from an estimated 6.7 million this season. The increase will likely be due to an improved world economy, foreign consumption that exceeds production, and the largest U.S. supplies since 1969.

World Agricultural Situation

WORLD ECONOMIC CONDITIONS

Low Growth Limits Demand for U.S. Products

Since the December issue of the *World Agricultural Outlook and Situation*, weaknesses in the world economy have continued to hurt U.S. agricultural exports. Virtually every region of the world is suffering economically. In the major foreign industrialized countries, low growth has given rise to high unemployment rates, which have lowered consumption rates for agricultural and other commodities. Low growth in the export earnings of many developing countries has limited their ability to increase food purchases. Credit restrictions and low export growth for some centrally planned countries have hurt their ability to finance even agricultural imports.

Weak Recovery Seems Likely

Although the global situation appears unsettled for the moment, economic recovery will likely come this year. For the major industrialized countries—the United States, Canada, Japan, and the European Community (EC)—recovery will probably come during the summer. In the developing and centrally planned countries, the recovery is expected to lag, largely because of slow export growth.

The recovery is projected to be weak by historical standards. Growth in the major economies is projected to be 1.2 percent this year, whereas growth in the year following the 1975 recession was roughly 5.2 percent. Continued high interest rates will likely prevent growth from accelerating rapidly. Unemployment will probably remain high and not begin to fall for at least several months after recovery begins. Continued high unemployment worldwide will keep consumption rates from rising very fast and will tend to limit growth in U.S. commodity exports.

Dollar Strong; Interest Rates High

Because of the dollar's increase in value since the beginning of last year, foreign prices for U.S. agricultural exports have remained high even though U.S. farm

Economic growth and inflation rates[1]

Countries	1980	1981	1982[2]	1980	1981	1982[2]
		Gross national product			*Consumer prices*	
Developed	1.3	1.6	1.2	12.2	9.5	8.1
United States	−.1	2.0	−1.0	13.5	10.3	6.6
Canada	1.5	1.9	1.2	11.0	12.0	9.0
European Community	1.1	−.8	2.3	12.9	10.0	9.7
Japan	4.2	4.1	3.5	7.6	8.0	6.5
Centrally planned	2.4	1.5	2.4	NA	NA	NA
Eastern Europe	1.5	−1.9	1.5	NA	NA	NA
USSR	2.5	2.5	2.5	NA	NA	NA
China	4.0	4.0	4.0	NA	NA	NA
Developing	2.3	4.2	4.5	37.7	34.2	28.8
Africa/Middle East	−2.1	4.4	5.1	22.2	13.4	15.9
Asia	5.5	5.8	6.0	15.5	14.3	11.0
Latin America	5.1	2.3	2.1	82.9	83.9	65.8

NA = not available. [1]Percent change from year earlier. [2]Forecast.

prices have declined. For example, from April 1981 to April 1982, foreign prices for wheat increased 8 percent, on average, even though the U.S. farm price fell 7 percent. During the same period, the farm price for corn dropped 23 percent, but foreign prices declined only 9 percent.

High interest rates overseas also appear to dampen U.S. exports. High interest rates increase importers' costs of holding inventories, and appear to be one cause of low stocks over the past year. A decline in interest rates would cause increased inventories and stimulate U.S. exports.

The Industrialized Economies

Improvement Indicated

Recent data suggest that economic conditions in the industrialized economies are improving. The data are not conclusive, but whereas 6 months ago all indicators pointed downward, some positive signs have appeared recently. The diverse behavior of these indicators reflects the economic imbalances among the major economies and sectors within the economies. Nevertheless, a few summary statements can be made for the group as a whole.

As for the encouraging signs, inflation has declined in all major countries. Besides the United States, Japan and the United Kingdom have experienced the largest drops in inflation. Also, interest rates have eased, if only a little. They are still high and pose a constraint to recovery, but rates have declined fairly steadily since last year, especially in some European countries.

Concerning the less encouraging signs, industrial production in several countries slipped during the last several months of 1981 and during the first 2 months of 1982. Also, capital investment is expected to decline in several countries. Because of weaknesses in production and investment, unemployment remains high and is projected to stay that way at least through the year. Furthermore, although interest rates have fallen a bit, they are still high. Real interest rates—those adjusted for inflation—remain up, even though they too have eased. High interest rates tend to weaken investment, consumption, governmental expenditures, and economic recovery. A significant increase in economic activity will renew upward pressure on interest rates and may threaten the longevity of the recovery.

Export Strength in Germany

Germany is likely to show the strongest improvement over last year. Because of consistently large trade surpluses and a steadily declining inflation rate, German officials have been able to lower interest rates since last fall in an effort to increase domestic economic activity. Short-term interest rates declined from 12.4 percent in October to 9.2 percent at the end of April. Despite the stimulus of easier credit, production last March was at the same level as in March 1981, and domestic demand continued to be sluggish. Demand is likely to remain so until unemployment rates come down further.

Lower Inflation in Japan

Japan's economy is strong compared with other major countries, but its performance in 1982 is not expected to match its 1981 showing as the strongest of all major economies. Low inflation is one of Japan's economic pluses because it declined to a 1-percent average for the first 3 months of 1982. Interest rates remained low and stable last fall but rose slightly during March and April, when officials supported the yen. Exports have contributed most to the economy's recent strength and have helped to keep the unemployment rate to around 2.3 percent for the past year. The major weaknesses of the economy lie in declining trade surpluses during the first 3 months of 1982 and in sluggish domestic demand.

United Kingdom: Stagnant Production

Production in the United Kingdom, after falling in 1979 and 1980, stabilized in 1981 but was stagnant from January through March 1982. As a result, unemployment remained high, at 11.7 percent, for the first 3 months of the year. Low domestic demand has helped bring down inflation, from 11.9 percent last year to a 7-percent average for the first 3 months of 1982. The adoption of stimulative policies in March may rekindle inflation, but for the year it is likely to be lower than last year.

More Policy Stimuli in France

The economy of France remains sluggish despite official attempts to improve it. Trade deficits from September 1981 to February 1982 averaged $14 billion at an annual rate, compared with yearly averages of less than $4 billion from 1976 to 1980. These trade deficits have

remained large despite the decline of the franc. From the beginning of January to mid-May, the franc fell 5.4 percent against the dollar, and its depreciation led to interest rates as high as 27 percent in the Euromarkets during March. Also, France's domestic interest rates remain high, at 16 percent in mid-May, and are partly the cause of production levels that, in January and February, measured lower than during 1978. As a result, the unemployment rate in February registered 8.6 percent. Recently, more stimulative policies were introduced to improve the economic picture, including a reduction in business taxes and injections of capital into the newly nationalized industries. These policies may increase activity in France, but major growth is not expected until the country's trading partners, particularly Germany and the United States, increase demand for French exports.

Strong Exports in Canada

Canada's exports have been a mainstay of the economy since last fall and are likely to remain fairly strong through the year. A continuation of the recent depreciation of the Canadian dollar may boost them even further. Inflation has barely receded since last year. This is in contrast to lowering rates in most countries and is partly due to Canada's energy policy that calls for the gradual raising of domestic oil prices to world levels. Economic growth will be dampened this year, and for several more years, by the closure of the Alsands oil sands project in Alberta and the deferral of construction on the Alaska-Canada gas pipeline. Because the investment that was expected for these projects will not be forthcoming, annual growth may be diminished over the period these projects would have been operating. This year's low growth will push up Canada's unemployment rate, which increased from 8.3 percent in January 1982 to 9 percent in March.

Italy's Trade Weak; Inflation Lower

The trade sector reveals the most weakness in Italy's economy. Trade deficits averaging over $1 billion a month from September 1981 to February 1982 have forced officials to impose foreign-exchange controls that are designed to stem the fall of the lira. The lira depreciated 7 percent from early January 1982 through mid-May, on top of a 30-percent depreciation during 1981. Industrial production has been volatile since last fall, but by March, it still lagged behind a year earlier. Unemployment increased again in February, when it reached 9.7 percent. The slowdown in activity has helped improve the inflation outlook. Compared with last year's inflation rate of almost 18 percent, the rate for the 12 months ending in April declined to 15.5 percent.

The Centrally Planned Economies

Slow Export Growth, Tight Credit

In the centrally planned countries, economic conditions were poor in 1981 and will probably remain so in 1982. The third consecutive bad harvest in the Soviet Union diminished that economy's performance last year, and weak export sales will probably limit economic growth this year. In Eastern Europe, virtually all countries face economic difficulties. Domestic production is off, and sluggish export earnings are aggravating the foreign-exchange shortages and financing problems that have forced many countries to limit imports. Data for China is scant, but reports suggest that it is the one exception: both production and investment performed well in the first quarter of this year.

Besides a poor showing in its agricultural sector, the Soviet Union's export earnings are lagging because of weak demand and low prices. This is particularly true for petroleum, gold, and diamonds. With lower earnings from exports and rather large import needs, the Soviet Union is feeling some pressure on its holdings of foreign exchange—currencies used to finance international trade, such as dollars, sterling, French francs, and Deutschemarks. Several reports claim that the Soviet Union has tried to delay payments, to obtain large amounts of trade financing, and to pressure German banks to provide credit for the entire German involvement in the Soviet-European gas pipeline. While reduced foreign exchange holdings will probably not force the country to curtail imports, it may limit the Soviet Union's capacity to expand them.

Foreign exchange shortages are aggravating debt burdens in Eastern Europe. Poland's debt for 1981 was finally rescheduled in April, and it faces financing problems again in 1982. Romania's financial stress was evident when it failed to make payments to the United States in February. Hungary's and Yugoslavia's debts are now being closely monitored. As in the Soviet Union, poor export performance is a primary cause of these countries' financial problems. Moreover, their exports are not likely to increase substantially until the economies of Germany, France, Italy, and the United Kingdom—the major markets for Eastern Europe's exports to the West—recover.

The Developing Economies

Lower Earnings Dampen Growth

With sluggish activity in the industrialized economies, growth rates in the developing countries will probably decline this year. Four key causes of this weakness are slow export growth, low commodity prices, depreciated currencies, and large foreign debts. Even the regions that typically perform well have suffered recently and are not likely to rebound much until a sustained recovery is underway in the industrialized countries.

Virtually every developing country has recently experienced lower export growth, whether of manufactured goods or raw materials. For countries like South Korea, Venezuela, and Nigeria, where exports contribute over 25 percent to those nations' total output, a large drop in export sales can severely cut back growth. The Government of South Korea has already lowered its overall growth projection because export growth, targeted at 12 percent for the year, was very low in January and February. The Taiwanese Government was forced to propose an austerity budget in which governmental expenditures are scheduled to increase by only about one-half the usual rate. Venezuela, Mexico, Nigeria, and many other petroleum-exporting countries are being hurt by the so-called oil "glut". Nigeria has had to reduce all imports but food purchases, defer investment projects, and impose foreign exchange controls because of a shortfall in petroleum export revenues.

Weakness in export markets led to decreased prices for some commodities and continued low prices for others. Most prices are not expected to rebound this year.

Although still lower than it was last year, the price of petroleum has strengthened recently and is likely to go slightly higher because of projected increases in use during the summer and during the anticipated economic recovery. The prices of other commodities that are important to developing countries—copper, tin, rubber, sugar, coffee, cocoa, tea, and animal hides—will probably not increase much.

Currency depreciations have harmed many developing countries. In 1981, African currencies as a whole depreciated 29 percent against the dollar, Latin American currencies 18 percent, and Asian 14 percent. The dollar's strength so far this year has forced even more foreign currencies to weaken, notably the Mexican peso. Depreciation might be expected to stimulate a country's exports, but this is not generally happening because of weak demand in major markets. At the same time, imports have become more expensive because of the depreciations. Currency depreciations explain why petroleum, which is sold for U.S. dollars and is now cheaper in the United States, is more expensive overseas.

Another effect of currency depreciation is that foreign debts denominated in dollars become more expensive to service; debtor nations have to repay debts with higher valued dollars. Much of the financial squeeze in Mexico right now is associated with its currency, which is roughly 75 percent weaker than at the end of December. Problems of debt repayment have also been aggravated by high interest rates. Interest rates on international borrowings rose significantly last year but, after declining from about 16 percent in December, have been stable at about 14 percent since February. These interest rates are still considered high and are likely to raise many countries' debt-service ratios in 1982, especially those countries with low growth in export earnings. (The debt service ratio is the ratio of annual debt payments to export earnings).

These factors have weakened economic growth in the typically faster growing regions—Latin America, East Asia, and the members of the Organization of Petroleum Exporting Countries (OPEC). In Latin America, low demand and prices for petroleum have hurt the major oil producers—Mexico, Ecuador, and Venezuela. In addition, low demand and prices for primary commodities are hurting the smaller countries. East Asian countries are being hit by industrialized nations' low demand for manufactured goods. For the OPEC countries, a temporary surplus in world oil supplies has produced foreign exchange shortages, most critically in Nigeria. [Art Morey (202) 447-8470]

INPUTS AND FINANCE

Energy

Large Oil Stocks Diminishing

The 1979 revolution in Iran provoked oil companies to rapidly build inventories at the time when, spurred by rapidly increasing prices, world oil production reached a record 62.8 million barrels a day, compared with 52.2 million today. The Iran-Iraq war, erupting in September 1981, further encouraged the stockpiling. Excess stocks mounted to about 500 million barrels, and by February 1981, the world average price of crude reached the all-time high of $35.53 a barrel.

By midyear of 1981 it became evident that world demand was ebbing below earlier expectations, and oil companies began reducing stocks at the rate of 2 to 4 million barrels a day. According to latest industry estimates, the stock surplus dropped to 70 to 100 million barrels this spring and may disappear later in the year. Normally, oil stocks are built at a rate of 1.5 to 2 million barrels a day during the Northern Hemisphere's summer and are reduced in winter.

Price Decline Ending

As demand for oil in the West and in Japan fell, and as excess stocks were unloaded, oil prices declined steadily through 1981. By October, the world average crude price dropped to $33.97 a barrel. At the October 29 OPEC meeting in Geneva, Saudi Arabia finally succeeded in imposing a unified price of $34 a barrel, with a new quality/location surcharge of up to $4 a barrel. To support the measure, the Saudis gradually cut their production from 9.5 to below 7.5 million barrels a day. This move arrested the price decline for a while, but in January 1982 prices started weakening again. By June, the world average price dropped to $33.05 a barrel, and some spot prices fell as low as $28.

Under pressure of falling prices, OPEC oil ministers gathered anew in Vienna on March 19 and agreed to cut their oil production from 18.5 million barrels a day to 17.5 million. In fact, however, production dropped to 15.8 million. As a direct result, prices now appear to be firming again. The anticipated upturn in the economies of some industrial countries later this year may spur demand and further tighten supplies. Moreover, the continuing political turmoil in the Middle East can drastically change the outlook at any time.

Prospects for 1983

Prospects for the next year are for world oil consumption increasing gently and for higher nominal prices. A steep increase in prices is unlikely, because Iran and Iraq will need to raise combined oil exports from the present 2.4 million barrels a day to nearer their 1979 level of 6.5 million in order to pay for the reconstruction of their war-devastated economies. Some other oil producers, such as Nigeria and Mexico, will also attempt to maintain or increase their production to remain solvent, and the North Sea production will continue to expand. Thus, despite improving world markets, downward pressure on real oil prices may still continue. [Francis Urban (202) 447-8106]

World crude oil production

Region	1981	1982[1]	1983[1]
	Million barrels/day		
OPEC	22.6	18.0	20.0
USSR	12.2	12.2	12.2
USA	8.6	8.5	8.5
Mexico	2.3	2.5	2.7
Canada	1.3	1.3	1.3
North Sea[2]	2.3	2.4	2.5
China	2.0	2.0	2.0
Other	5.0	5.3	5.6
Total	56.3	52.2	54.8

[1]Forecasts. [2]Denmark, Norway, and United Kingdom.

Exchange Rates

Dollar Remains Strong

Through late 1981 and well into this year, the U.S. dollar continued 18 months of steady appreciation broken only during August-September. Indeed, for that time, the dollar clearly dominated foreign exchange markets, advancing against all five currencies most important to U.S. agricultural trade. However, the dollar shows signs of slowing or reversing this trend. First, the primary driving force behind the upward drift of the U.S. dollar was high interest rates, making the dollar attractive to hold for a longer period. In addition, the sharp decline in the rate of growth in inflationary indicators, such as the consumer price index, strongly led to the conclusion that the real rate of return on the dollar was also increasing.

However, just as the recession seemed to start a decline in short-term interest rates, sharp increases in the monetary aggregates as reported by the Federal Reserve Revenue Board led to the reverse. This, combined with signs of an economy heading out of recession, is interpreted as pushing up the price of credit.

The stabilization and then increases in short-term interest rates were followed by a realignment in the European Monetary System, also strengthening the appreciating dollar. The sharp decline of the French franc and Italian lira led investors to other currencies, primarily the U.S. dollar. So long as major European currencies are viewed as less stable than the U.S. dollar, more people will elect to hold U.S. currency. In addition, trade pressure on Japan continues to hold down the price of yen. In the present situation of uncertainty in foreign exchange markets, the dollar remains the only coinage of demonstrable and enduring value. This should remain the case through the end of the summer. [David Stallings (202) 447-8054]

Foreign currency units per U.S. dollar

Month	Mark	Yen	Pound	Guilder	C. Dollar
1981					
November	2.229	223.5	.5363	2.443	1.188
December	2.256	218.7	.5249	2.470	1.185
1982					
January	2.293	224.7	.5300	2.513	1.192
February	2.365	235.1	.5410	2.593	1.214
March	2.379	241.1	.5536	2.617	1.220
April	2.412	247.4	.5661	2.673	1.230
May	2.312	237.0	.5521	2.568	1.233

Fertilizer

Prices Decline

Depressed economic activity, balance-of-payment deficits, changes in currency valuation, and reduced prices for farm commodities weakened world demand for fertilizer. The downturn in demand slowed fertilizer trade as affected countries reduced imports. Lower demand and plentiful supplies pushed down world fertilizer prices. Generally, spring 1982 spot prices of most fertilizer materials were below a year earlier, with phosphate and potash experiencing the biggest declines. Among the nitrogen fertilizers, urea prices were down the most.

Exports Drop

The downturn in world demand and the strong dollar helped reduce U.S. nitrogen, potash, and phosphate fertilizer exports 21, 22, and 14 percent, respectively, from July 1981 to April 1982. Exports of phosphate rock and diammonium phosphate were down over 23 percent. Anhydrous ammonia and urea exports were down 13 and 21 percent, while potassium chloride exports fell 43 percent. On the other hand, U.S. exports of super phosphoric acid increased from about 18,000 to 732,000 tons as shipments to the USSR rose in response to the lifting of the U.S. embargo on phosphate fertilizers.

Since a large proportion of U.S. phosphate fertilizer production is exported, the 14-percent drop in exports had a depressing effect on the industry. Declining exports, coupled with lagging domestic sales, caused plant closings and reduced operating schedules.

Weakened potash fertilizer demand has affected the trade. Canada, a major exporter of potash, saw its shipments to the United States decline 17 percent, while exports to all other countries were down 37 percent. Reduced shipments caused Canadian producer inventories to increase substantially, with April 1982 stocks that were 87 percent above year-earlier levels. Canadian producers have closed some potash mining capacity to reduce excessive inventories.

Imports Diminish

U.S. fertilizer imports were affected by a decline in domestic use, as lower agricultural commodity prices and relatively high input costs reduced fertilizer application rates. In addition to lower potash imports, nitrogen purchases from July 1981 to April 1982 were down about 4 percent.

Recovery of overall world fertilizer trade will hinge on improved economic activity and reduced balance-of-payment problems. U.S. exports will pick up, but recovery could be slow if the value of the U.S. dollar remains relatively strong compared with other currencies. U.S. imports of potash and nitrogen could return to 1980/81 levels with an improvement in the domestic farm economy. [Paul Andrilenas (202) 447-7340]

Agricultural Commodity Prices

Agricultural commodity prices have strengthened in recent months, primarily in response to higher livestock prices resulting from reduced pork production. Crop prices continue to be far below a year ago. Large crop supplies and lower-than-expected world demand in 1981/82 are followed by prospects for continued large supplies in 1982/83, with only a moderate increase in consumption. Total ending stocks for wheat and coarse grains are forecast to increase over 20 percent in 1981/82, and a further increase is expected by the end of 1982/83. Despite the large grain supplies, higher U.S. loan rates and tightening free stocks should mean slightly higher prices in the upcoming months. Although international prices in the oilseed sector have strengthened since the beginning of the year, they are still below a year ago. Oilseed stocks are not weighing heavily on the market, and prices should strengthen.

U.S. Farm Prices To Increase Slightly

Preliminary estimates of 1981/82 U.S. farm prices for wheat, corn, and soybeans have decreased slightly since

the beginning of the year. However, since January, wheat prices have held steady. Corn and soybean prices improved somewhat, but are still 20 percent below a year ago. Huge supplies pushed 1981/82 farm prices for cotton and rice down more than 25 percent from the previous year.

The depressed farm prices for most U.S. crops over the last 12 months are due to a variety of reasons. Good crops worldwide, except in the Soviet Union, have meant a sizable buildup in stocks. Poorer economic growth in the world has also tempered prices. The strengthening dollar has served to undercut U.S. competitiveness by increasing the price of U.S. farm products in foreign currencies. Usual price gains at this time of the year, due to storage costs, have not occurred because of the potential for large crops next season.

Farm prices in 1982/83 are projected to increase from last year's depressed levels. Nevertheless, they will likely rise less than the inflation rate, squeezing farmers' returns. However, for most commodities, prices will probably be below 1980/81, and in some instances below 1979/80. The biggest factor keeping prices from rising much above last year's level is the continued buildup in global stocks while U.S. loan and reserve provisions put a floor under prices. The extent of farmer compliance in the reduced acreage program this year and the possibility of some kind of program next year could have a significant impact on these price forecasts.

World Export Prices Mirror U.S.

International export prices for wheat dropped from the beginning of the year in the United States, Canada, Australia, and Argentina as record and near-record crops in these countries pressured prices throughout the year. Price declines stemmed from weakening trade prospects, increases in carryover stocks, and a record U.S. winter wheat crop.

International export prices for corn, although way below last year, rose steadily the last 6 months. Cold weather early in the period increased domestic feeding. Other factors affecting longer term supply and demand include: (1) a decrease in the availability of coarse grains by Southern Hemisphere exporters, (2) larger-than-expected coarse grain imports, particularly by the Soviet Union, and (3) a large signup for the reduced acreage program. Even though global coarse grain production could be large again in 1982/83, the possibility of the tightest U.S. commercial "free" stocks in several years should provide market support.

Domestic and foreign soybean and product prices have reversed a downward trend because of a tightening in world supplies. The Brazilian soybean crop is much lower than earlier estimates, reducing the export availabilities of the major U.S. competitor. This reduction, plus fast-paced U.S. exports and strong demand in the EC and the Soviet Union, put the forecast for U.S. soybean exports at over 24 million tons, up 23 percent from last year. Soybean meal and oil prices have been held up by uncertainty surrounding Brazilian and Argentine marketings because of changes in availability and domestic policy. Crushing margins in the EC are more favorable than in the United States and are stimulating exports of U.S. soybeans.

International commodity prices

Year	Wheat				Corn		Soybeans	Soyoil		Soymeal 44%	
	U.S. No. 2[1]	Argentina[2]	Canada No. 1[3]	Australia[4]	U.S. No. 2 yellow[5]	Argentina[2]	U.S. No. 2 yellow[5]	Decatur	Dutch[6]	Decatur	Hamburg[6]
	Dollars per metric ton										
1975	149	147	181	167	122	126	210	559	563	141	162
1976	134	128	149	147	115	114	223	414	438	179	203
1977	105	100	116	113	98	93	271	524	579	212	240
1978	131	126	134	119	105	102	259	565	607	189	226
1979	162	159	171	142	118	117	278	610	662	160	254
1980	176	203	192	175	129	159	272	522	598	217	271
1981	176	190	194	175	135	139	272	464	507	223	269
1981											
Jan.	191	212	221	189	155	169	299	494	545	242	304
Feb.	184	211	213	185	145	153	204	475	516	233	286
Mar.	176	210	202	179	144	142	284	507	535	229	284
Apr.	181	194	198	180	146	136	297	511	531	244	294
May	175	189	197	174	143	137	291	466	511	244	284
June	170	180	189	168	139	132	273	469	512	221	265
July	170	177	186	168	141	138	281	500	529	226	260
Aug.	172	179	182	167	133	136	266	452	506	221	252
Sept.	173	179	182	170	122	129	258	420	485	209	257
Oct.	170	182	182	169	117	134	248	426	486	199	248
Nov.	180	184	190	186	119	139	243	436	470	198	243
Dec.	174	176	182	170	110	121	241	411	455	208	247
1982											
Jan.	175	177	181	167	109	120	247	408	455	212	250
Feb.	173	180	172	165	115	114	244	404	454	194	247
Mar.	170	179	160	158	116	110	240	407	452	204	242
Apr.	171	179	162	158	120	112	250	430	483	210	250
May	168	176	168	159	120	112	254	453	510	212	248

[1]Hard winter ordinary protein, f.o.b. Gulf ports. [2]F.o.b. Buenos Aires. [3]Western red spring 13.5% protein, in store Thunder Bay. [4]July-June crop year, standard white, f.o.b. selling price. [5]F.o.b. Gulf ports. [6]F.o.b. ex-mill.

Import Prices Down

Imported sugar prices in New York, including import fees and duties of about 7 cents a pound, are about 18 cents a pound, compared with the world price of 9 cents. In the past year, prices have ranged from under 15 cents to 20 cents. In early May, President Reagan imposed quotas on sugar imports to support the domestic price and reduce government expenditures. This might increase U.S. prices by a few cents.

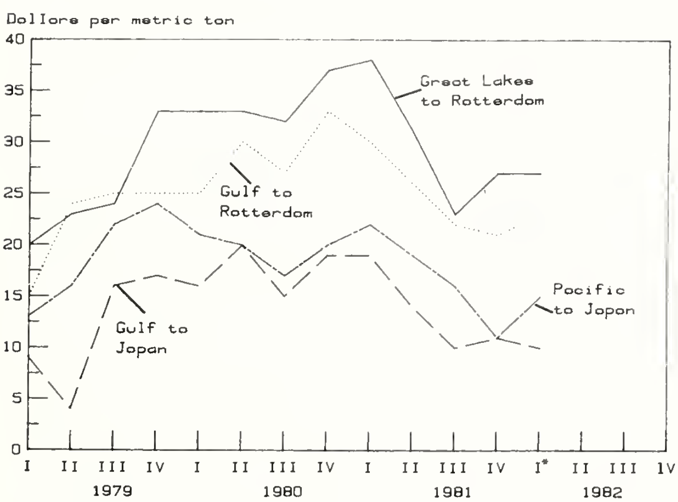
The New York price of imported Brazilian coffee has fallen slightly since January but is about 10 to 15 percent above a year ago. This apparent strength is the result of short-term demand in the United States to fulfill delivery on specific futures contracts. The fundamentals, however, point toward a continuation of lower prices, with 1981/82 world stocks 40 percent higher than a year ago.

New York cocoa bean prices (the average of the nearest 3 active futures-trading months) have dropped from the record $1.72 a pound in 1977 to 90 cents in 1981. This reflects a third successive record world crop in 1981/82 and a fifth consecutive year of buildup in global cocoa bean stocks. Prices averaged 96 cents in January, fell to 73 cents in May, and are likely to remain low through the summer. Much depends on the efforts of the International Cocoa Organization to support prices.

Ocean Freight Rates Kept at Low Level

Ocean freight rates from the United States to major agricultural markets strengthened slightly for some routes in the first half of 1982, although they are still considerably weak. Weakness in the freight market is attributable to surplus shipping capacity and a slowing down in agricultural trade. Lack of support from nonagricultural trade, such as coal, has also kept prices from rising. The shipping rate for grain between U.S. Gulf ports and Rotterdam dipped below $10 a ton early in the year and has risen only slightly since then. Ocean freight rates between both the Gulf and Pacific ports to Japan increased after declining during the past year. Increases in freight rates could occur this summer as seasonal demand rises. [Bradley Karmen (202) 447-8879]

Ocean Freight Rates from U.S. Ports to the Netherlands and Japan



*Preliminary

U.S. AGRICULTURAL TRADE

October-April Exports Decline

U.S. exports have lagged because of the appreciating dollar and weaker economic conditions abroad. The value of exports through the first 7 months of fiscal 1982 (October 1981-April 1982) totaled $25.2 billion, 10 percent or $2.8 billion below a year ago. The volume, at 99.5 million tons, was off 2 percent, with corn exports alone showing a decline of 8 million tons. Precarious economic and financial conditions have warranted a further downward revision in the fiscal 1982 export forecast, to $42 billion. However, export volume is expected to pick up in the second half, reaching a record 168.5 million tons by year's end (see May 1982 *Outlook for U.S. Agricultural Exports*).

Wheat Exports Hit a Record

Wheat exports through April reached 27 million tons, 14 percent ahead of last year, improving the prospects for a third consecutive record. The USSR has purchased 6.1 million tons of wheat to date, all Hard Red Winter, while shipments of mostly Soft Red Winter wheat to China have slowed somewhat from last year's pace, to 4.2 million tons. South America remains an important U.S. wheat market. Shipments of 3.4 million tons during October-April—primarily to Brazil, Peru, Chile, and Venezuela—maintained last year's pace.

Another 2.8 million tons of wheat and flour were shipped to North Africa, an increase of one-fourth over last year. Egypt became the fifth largest U.S. wheat market in fiscal 1981 and thus far is ahead of last year's pace.

Turkey, recently an exporter, and India, which has not been importing in recent years, took 550,000 and 950,000 tons of wheat, respectively, in the first 7 months. Both are likely to purchase more wheat.

Corn Shipments Decline

Feed grain shipments fell 18 percent through April, all in corn. On the other hand, sorghum and barley continue to move at near-record levels. Exports of feed grains during October 1981-April 1982 totaled 36.5 million tons or 56 percent of the fiscal-year estimate, compared with 64 percent a year ago.

Corn exports have fallen this year for numerous reasons. In the EC, more feeding of domestic wheat and imported nongrain feeds are slowing corn use and subsequently imports. In Eastern Europe, the Commodity Credit Corporation has not extended credit guarantees to Poland and Romania, which limits their purchases from the United States. The U.S. market share for corn exports to Japan fell from 97 to 79 percent with the shift to South African corn. Following the bumper 1981 corn harvest in Mexico, stocks were 3 to 4 times the average of the previous 5 years, precluding the need for large feed grain shipments from the United States. An assorted number of other markets, such as Venezuela and Korea, have diverted some of their feed grain purchases away from corn and into grain sorghum.

Soybeans Rebound

In contrast to corn, exports of U.S. soybeans have been stimulated by good crushing margins in Europe. In the

U.S. agricultural exports, fiscal years[1]

Commodity	1979	1980	1981	1982[2]
	Million metric tons			
Wheat	31.3	36.1	42.2	47.3
Wheat flour	.9	.9	.9	1.1
Feed grains	59.4	71.2	69.1	65.4
Rice	2.4	3.0	3.2	2.8
Other grain prod.	1.0	1.1	1.2	1.1
Feeds & fodders	4.3	6.2	5.8	5.7
Soybeans	20.2	23.8	20.0	24.2
Soybean meal	6.0	7.2	6.1	6.5
Other oilcake & meal	.3	.4	.5	.5
Soybean oil	1.1	1.2	.7	.9
Other vegetable oils	.5	.6	.8	.8
Sunflower seed	1.3	1.9	1.4	1.6
Cotton, incl. linters	1.4	2.0	1.3	1.5
Tobacco	.3	.3	.3	.3
Fruits, veg., & nuts	2.8	3.0	3.3	3.4
Beef, pork, & vari. meats	.3	.3	.4	.4
Poultry meat	.2	.3	.4	.4
Animal fats	1.3	1.5	1.5	1.6
Other	2.4	2.9	3.5	3.0
Total	137.4	163.9	162.6	168.5

[1]Actual export tonnages. Excludes animal numbers and some commodities reported in cases, pieces, dozens, liquid measures, etc.
[2]Forecast.

U.S. agricultural exports, fiscal years

Commodity	1979	1980	1981	1982[1]
	Billion dollars			
Grains & feed	13.4	18.5	21.9	19.8
Wheat	4.6	6.3	7.7	8.1
Wheat flour	.2	.2	.3	.3
Rice	.9	1.2	1.5	1.2
Feed grains	6.7	9.1	10.4	8.1
Oilseeds & prod.	8.7	10.0	9.4	9.5
Soybean cake & meal	1.4	1.6	1.6	1.5
Soybeans	5.4	6.2	6.0	6.2
Soybean oil	.7	.8	.5	.5
Livestock prod.	3.2	3.1	3.1	3.3
Dairy prod.	.1	.2	.3	.5
Poultry prod.	.4	.5	.8	.8
Cotton, incl. linters	1.9	3.0	2.2	2.2
Tobacco	1.3	1.4	1.3	1.6
Seeds	.2	.3	.3	.3
Fruits, veg., & nuts	2.1	2.7	3.1	3.1
Sugar and trop. prod.	.7	.8	1.4	.9
Total	32.0	40.5	43.8	42.0

[1]Forecast.

first 7 months, 16.8 million tons were exported, 23 percent ahead of last year and 4 percent above 1979/80, the record year. In addition to gains in Western Europe, the USSR has purchased 678,000 tons to date after a 2-year absence from the market.

Soy Products Up Slightly

The EC has also played a large role in near-record shipments of soybean meal. Through April, 4.4 million tons of U.S. soybean meal were exported, three-fifths of which went to the EC, compared with less than half a year ago. Gains in the Community, in parts of the Far East, and in Venezuela, offset declines for Eastern Europe, Japan, and Mexico.

Soybean oil exports are expected to recover from last year's reduced 739,000 tons, rebounding to 885,000 in fiscal 1982. Total U.S. exports of soyoil in the first 7 months were 460,000 tons, up 15 percent from a year earlier. Pakistan has become the largest U.S. market, with purchases of 121,000 tons through April, followed by Colombia and India.

Cotton Prices More Competitive

Despite depressed world economic conditions, the sensitivity of textile production to these conditions, and a record crop in China, U.S. cotton exports are expected to increase a fifth to 1.5 million tons in fiscal 1982. Increases to South Korea, Taiwan, Japan, Indonesia, and Western Europe have more than compensated for lower shipments to China. U.S. cotton exports of 1.012 million tons through April were 17 percent ahead of a year earlier.

Tobacco exports have recovered from last year, the lowest in 9 years, largely because of increased demand in Japan and Thailand. Almost half of the 175,000 tons shipped during October-April went to Southeast and East Asia, compared with 37 percent a year ago. Steady prices and a larger, better quality crop last year have helped to promote U.S. tobacco exports.

Weak prices have also lowered the total value of animal product exports this year. Butter, inedible tallow, red meats, poultry meat, and cattle hides are being exported at lower prices than a year ago. Nonetheless, animal product exports to May 1 were 2 percent ahead of last year's pace, with volume up 5 percent. Exports for fiscal 1982 are expected to rise 6 to 7 percent in value.

Sales to Developing Markets Down

The developing-country markets have been the major growth sector for U.S. agricultural exports over the past few years. Exports to these areas grew at an annual rate of 22 percent from 1978 to 1981 (compared with an overall U.S. agricultural export growth rate of 17 percent), increasing their share of total U.S. exports to 39 percent. However, U.S. exports to less developed countries during October-April fell 18 percent to $8.4 billion. While wheat, cotton, vegetable oils, soybean meal, and red meats showed volume increases, they were far outweighed by declining shipments of corn, grain sorghum, soybeans, and inedible tallow. [Steve Milmoe (202) 447-8054]

WORLD COMMODITY DEVELOPMENTS

Food Grains

World supplies of food grains in 1982/83 are expected to be up because of larger wheat production and beginning stocks, while world rice supplies may be about the same as in 1981/82. Prospects in most major producing countries are favorable, although U.S. production will likely decline by 2 million tons, primarily because of the acreage reduction program. World food grain consumption and trade may both rise. However, trade will depend on the outcome of crops, which generally look good in the Northern Hemisphere but haven't been planted yet in the Southern Hemisphere.

Wheat: World production, consumption, and net exports[1]

Region	1980/81 Prod.	1980/81 Cons.	1980/81 Net exports	1981/82 Prod.	1981/82 Cons.	1981/82 Net exports	1982/83[2] Prod.	1982/83[2] Cons.	1982/83[2] Net exports
				Million metric tons					
Major exporters									
United States	64.6	21.2	41.9	76.0	23.6	48.8	73.9	23.1	45.9
Canada	19.2	5.2	17.0	24.5	5.0	17.0	23.5	5.1	17.5
Australia	10.9	3.6	10.6	16.4	3.4	11.0	17.0	3.5	12.5
EC-10	55.1	43.9	9.9	54.1	44.1	9.5	56.0	44.2	10.9
Argentina	7.8	4.0	3.9	7.8	4.0	4.3	9.5	4.0	5.0
Turkey	13.0	12.9	−.5	13.2	13.4	−.5	13.0	14.1	−.2
Major importers									
USSR	98.0	117.0	−15.5	88.0	106.0	−18.2	88.0	99.0	−15.0
China	54.2	67.9	−13.8	58.5	71.2	−12.7	56.5	71.0	−14.5
East Europe	34.5	38.1	−3.5	30.5	35.5	−4.2	33.1	36.5	−3.8
Other W. Europe	9.7	8.8	−.3	6.4	8.7	−1.3	7.7	8.8	−.7
Brazil	2.7	6.6	−3.9	2.2	6.3	−4.1	2.4	6.1	−3.9
Mexico	2.7	3.5	−1.2	3.1	4.0	−1.0	3.8	4.2	−.5
Other Latin Am.	1.6	7.6	−5.7	1.4	7.7	−6.2	1.2	8.0	−6.6
Japan	.6	6.1	−5.7	.6	6.2	−5.6	.7	6.2	−5.3
India	31.8	34.3	0	36.5	36.5	−2.3	37.5	38.4	−2.0
South Korea	.1	2.1	−2.0	.1	1.9	−1.8	.1	2.0	−2.0
Indonesia	0	1.4	−1.5	0	1.4	−1.5	0	1.5	−1.6
Other Asia	15.2	20.8	−5.5	15.7	22.2	−6.5	16.0	22.9	−6.9
Egypt	1.8	7.5	−5.6	1.9	7.7	−6.1	2.0	8.0	−6.5
Morocco	1.8	3.5	−2.0	.9	3.5	−2.3	1.4	3.5	−2.3
Other N. Africa/ Mideast	11.4	21.1	−10.1	12.0	22.1	−10.4	11.0	23.1	−11.3
Other Africa	2.3	6.3	−3.7	3.1	6.8	−4.0	2.8	7.0	−4.2
Rest of world/residual	.4	.9	−3.8	.3	2.9	−1.9	.4	7.9	−4.5
World total	439.4	444.3		453.2	444.1		457.5	448.1	

[1]Trade on July-June years. [2]Forecast.

Wheat To Increase

Early-season wheat prospects for 1982/83 indicate record global production, consumption, and trade, and higher ending stocks. Production is expected to increase 1 percent to 458 million tons (± 20 million). Consumption may also rise 1 percent to 448 million. With output forecast to exceed consumption for the second consecutive year, ending stocks will likely rise over 10 percent to 94 million, the highest since 1978/79. The world stocks/use ratio is likely to be around 21 percent, the highest since 1978/79, compared with a 1981/82 ratio of 19 percent.

Soviet wheat production in 1982/83 is forecast at 88 million tons, equal to the estimate of last year's production. However, Soviet use is expected to fall 7 million tons. The USSR will need to import to rebuild depleted stocks after 4 years of poor crops.

Production of the major foreign exporters (Canada, Australia, Argentina, and the EC) is forecast to increase in each, except for Canadian output, which could be down from last year.

World trade could top the current year slightly and reach 100 million tons in 1982/83 (excluding intra-EC trade). Though remaining large, Soviet imports may fall by 3 million tons. Chinese purchases are forecast to increase because of lower production due to poor weather. Eastern European and Japanese imports will probably decline for the second consecutive year. Heavy unseasonal rains in India damaged the crop, hindered Government procurement, and increased the probability of substantial wheat imports.

U.S. wheat exports in 1982/83 (July-June) are forecast at 46 million tons, compared with this year's estimated 48.4 million. Increased exports from competitors and only a slight rise in world trade are responsible for the decline.

Rice Holding Steady

World milled rice production is forecast at 276 million tons (± 6 million) in 1982/83, about the same as this year's record. Foreign production may rise slightly and offset the expected decline in U.S. production due to low rice prices and the 15-percent acreage reduction program. The zero production increase expected for the upcoming marketing year compares with worldwide gains of almost 4 to 5 percent in the last 2 years, following a decline in 1979/80. Foreign production rose 20 million tons in the last 2 years. Weather, inputs, and disease have been and continue to be the major factors determining world rice production, because area changes have been minimal in recent years, and foreign area is expected to be about the same in 1982/83.

World consumption is forecast to rise marginally in 1982/83, the lowest increase in several years. In contrast to 1981/82, the next marketing year may see consumption exceed production, leading to a slight decline in world stocks (which exclude China's). Stocks are quite high in major exporting countries—the United States and Thailand—and in Indonesia and South Korea, major importers in recent years. Both prices and trade will be depressed this year and into 1983. U.S. and Thai export prices have fallen steadily since June 1981,and the prices

Rice: World production, consumption, and net exports[1]

Region	1979/80 Prod.	1979/80 Cons.	1979/80 Net exports	1980/81 Prod.	1980/81 Cons.	1980/81 Net exports	1981/82[2] Prod.	1981/82[2] Cons.	1981/82[2] Net exports
				Million metric tons, milled					
Major exporters									
United States	4.3	1.8	3.0	4.8	2.1	3.0	6.1	2.0	2.9
Thailand	10.4	8.5	2.7	12.2	8.7	3.0	12.9	8.9	3.3
Pakistan	3.2	2.2	1.0	3.1	2.1	1.1	3.3	2.1	1.0
China	97.8	96.8	1.0	94.7	94.2	.5	97.4	96.9	.6
India	42.3	45.9	.4	53.2	52.9	.9	53.0	52.9	.6
Burma	5.9	4.9	.7	7.8	6.3	.7	8.2	7.1	.7
Japan	10.9	10.1	.6	8.9	10.1	.7	9.3	10.2	.4
Italy	.8	.3	.5	.7	.3	.4	.6	.4	.3
Australia	.4	.1	.3	.5	.1	.4	.6	.1	.4
Major importers									
Indonesia	17.9	20.2	−2.0	20.2	21.3	−.5	22.3	22.3	−.3
South Korea	5.0	5.7	−.8	4.0	5.5	−2.3	5.1	5.7	−.5
Bangladesh	12.7	13.3	−.2	13.9	13.6	0	13.5	14.0	−.4
Vietnam	7.0	7.0	−.1	6.5	6.6	−.1	6.8	6.9	−.1
Other Asia	15.2	15.6	−.3	16.1	16.5	−.7	16.8	17.4	−.8
USSR	1.6	2.2	−.7	1.8	2.8	−1.0	1.9	2.6	−.7
Brazil	6.6	6.1	−.2	5.9	6.3	0	6.1	6.4	−.1
Other Latin Am.	4.3	4.3	−.2	4.3	4.4	0	4.7	4.7	0
Iran	.8	1.2	−.5	.7	1.4	−.6	.8	1.4	−.6
Other N. Africa/ Mideast	2.1	3.4	−1.4	1.9	3.3	−1.5	1.8	3.5	−1.7
Malagasy	1.4	1.5	−.2	1.4	1.6	−.2	1.3	1.6	−.3
Nigeria	.6	.9	−.4	.7	1.2	−.7	.8	1.4	−.6
Other Africa	1.7	3.1	−1.4	1.7	3.1	−1.5	1.7	3.2	−1.7
Rest of world/residual	1.0	2.7	−1.8	.7	1.6	−1.6	1.2	3.9	−2.4
World total	253.9	257.8		265.7	266.0		276.2	275.6	

[1]Trade on calendar years; calendar 1982 corresponds to 1981/82. [2]Forecast.

of many grades had dropped by over $200 a ton through the end of May.

World trade will probably remain at this year's level into 1982/83, with exports of around 12 million tons, compared with the record 13.6 million in 1980/81. Because of delays in purchases by and expected shipments to South Korea, the estimate of U.S. rice exports for 1981/82 has been lowered to 2.8 million tons. This is reflected in sharply rising stocks of California medium-grain rice. For 1982/83, U.S. exports may remain at the same level because world demand continues to be depressed and total supplies in exporting countries remain high. [Bradley Karmen (202) 447-8879 and Eileen Manfredi (202) 447-8912]

Coarse Grains

Record World Crop in Prospect

Early prospects for 1982/83 point to a world coarse grain harvest close to the 1981/82 record. With huge carryin stocks, abundant supplies will encourage expanded use. World trade may recover during July 1982-June 1983.

The foreign coarse grain area is forecast up about 1 percent, with small increases anticipated for most regions except China and Australia. Yields are likely to recover, and foreign production is forecast below trend at 540 million tons (±19 million). The Northern Hemisphere's crop (outside the United States) may increase 3 to 4 percent. Improved yields and slightly larger area are expected in the USSR. Soviet output is forecast at 87 million tons (±15 million), following three disappointing harvests that averaged 80 million. Some recovery is expected in the Western European crop, largely because of improved yields. The Chinese coarse grain area continues to decline, but potential record yields will boost production.

Most of the Southern Hemisphere's crop will be harvested in 1983, and the outturn is highly uncertain. Preliminary indications are for limited recovery, with harvests below the 1980/81 record.

Gains in Use Foreseen

World use will increase significantly if production gains are achieved. Foreign use is forecast at 605 million tons (±13 million), up from 591 million in 1981/82. Foreign feed use may increase almost 3 percent.

In the USSR, use may jump almost a tenth, partly offsetting likely declines in the use of wheat as feed. No increase is expected in Eastern Europe as long as supply constraints continue. In China, use will depend on the harvest, now forecast up slightly from 1981.

With livestock industries stagnant, little gain in use is foreseen in the developed countries. EC feed use of coarse grains and wheat is expected to remain near 1981/82's reduced level. The feeding of protein meal is increasing, and the use of other nongrain feeds may rise slightly. In non-EC Western Europe, feed use of coarse grains is forecast up 2 percent, following a 2 1/2-percent growth in 1981/82. Spain and Portugal are importing grain to maintain livestock herds, and some expansion in numbers is expected late in 1982 and in 1983.

Coarse grain use may increase only 2 percent in the developing countries in 1982/83, well below recent gains. Feed use may match 1981/82's estimated 5-percent rate of gain. The sharpest rise is projected for North Africa. Consumer demand for livestock products is rising rapidly in Egypt and Algeria, and Egypt is encouraging domestic poultry production to limit imports. Following a 9-percent rise in 1981/82, Middle Eastern use of coarse grain feed may increase 3 percent. Rates of growth will likely slow in Saudi Arabia and Israel. Iran's livestock industry remains depressed.

Improved Mexican sorghum and Brazilian corn crops will enable continued strong growth in Latin American use. In the developing Asian countries, feed use is expected to accelerate. Pork industries are recovering in South Korea and Taiwan, and poultry enterprises are expanding rapidly in Thailand, Singapore, and the Philippines.

Nonfeed use of coarse grains in the developing countries is likely to increase slowly, as in recent years. Consumption is shifting to wheat or rice in many areas.

U.S. Exports May Recover

World coarse grain trade is forecast around 104.5 million tons in 1982/83, compared with an estimated 102.7 million in 1981/82. Mexican imports may almost double to about 4 million tons, largely because of the stock drawdown early in 1982. Imports of the other developing countries are projected up 6 to 7 percent. Saudi Arabia, Egypt, Israel, and Taiwan will likely expand imports significantly. Brazilian purchases are expected to be minimal.

Soviet imports are forecast at 25 million tons, compared with an estimated 26 million in 1981/82. The USSR is reemphasizing coarse grain rather than wheat imports in attempts to maintain their livestock industry. Eastern European purchases will likely drop below 1981/82's sharply reduced volume. China's imports may total about 1 million tons. EC imports may recover slightly. If Spain's barley production improves in 1982, the imports of non-EC Western Europe will probably decline to almost 10.4 million tons, from 1981/82's record 12.6 million. Japanese imports may recover somewhat following 2 years of decline.

Exportable supplies of coarse grains will continue large, but July-June exports from Argentina and South Africa will fall because of reduced harvests this spring. Exports from other major competitors are forecast near 1981/82 levels. Thus, the U.S. share of world trade is expected to recover from 1981/82's low 60 percent.

Further Stock Buildup Probable

Early indications of supply and use point to 1983 global carryover stocks of 100 to 126 million tons, compared with 1982's record 105 million tons. The Soviets will probably be unable to rebuild coarse grain stocks. Thus, little stocks building is expected outside the United States. This projection of further stock accumulation indicates little strength in coarse grain prices. [Sally Byrne (202) 447-8857]

Coarse grains: World production, consumption, and net exports[1]

Country	1980/81 Prod.	1980/81 Cons.	1980/81 Net exports	1981/82 Prod.	1981/82 Cons.	1981/82 Net exports	1982/83[2] Prod.	1982/83[2] Cons.	1982/83[2] Net exports
	Million metric tons								
Major exporters									
United States	198.4	147.3	72.1	248.9	155.8	61.2	232.0	158.1	66.7
Canada	21.8	17.8	3.2	25.7	17.8	5.7	24.3	17.8	5.3
Australia	5.1	3.1	2.2	6.6	3.0	3.2	6.7	3.1	3.1
Argentina	20.9	6.4	9.9	18.9	7.0	13.8	19.4	7.2	12.2
Thailand	3.6	1.2	2.4	4.4	1.2	3.2	4.6	1.3	3.2
South Africa	15.3	7.8	3.6	8.8	7.8	4.9	11.4	7.7	4.2
Major importers									
USSR	81.0	101.0	−18.0	77.0	105.0	−26.0	87.0	112.0	−25.0
China	84.8	85.7	−.9	82.5	83.7	−1.2	84.0	85.0	−1.0
Eastern Europe	61.9	72.2	−8.7	64.2	68.8	−6.6	63.1	70.5	−6.3
EC-10	69.7	76.1	−6.2	68.0	75.1	−5.5	68.7	75.4	−5.8
Other W. Europe	25.2	32.2	−7.7	20.0	33.0	−12.4	22.7	33.4	−10.5
Brazil	23.0	22.8	−2.1	23.8	22.8	−.1	23.4	23.7	−.1
Mexico	14.7	18.6	−8.2	16.0	20.1	−2.0	16.3	21.1	−4.0
Venezuela	1.2	2.3	−1.2	1.0	2.5	−1.4	1.4	2.7	−1.3
Other Latin Am.	7.5	9.7	−2.3	7.6	10.0	−2.1	7.6	10.2	−2.5
Japan	.4	19.1	−18.9	.4	18.8	−18.4	.4	19.1	−18.7
Taiwan	.1	3.7	−3.6	.1	3.8	−3.7	.1	3.9	−3.9
South Korea	1.0	4.0	−2.6	1.0	3.7	−2.7	.9	3.7	−2.8
Other Asia	41.9	43.6	−1.9	42.8	44.4	−1.5	43.8	45.4	−1.9
Egypt	4.0	4.9	−1.3	4.0	5.0	−1.5	4.0	5.1	−1.6
Iran	1.1	2.3	−1.2	1.2	2.3	−1.3	1.2	2.3	−1.3
Israel	—	1.4	−1.1	—	1.3	−1.1	—	1.4	−1.4
Other N. Africa/ Mideast	17.3	20.6	−3.9	17.2	20.7	−4.2	17.6	21.7	−5.0
Other Africa	30.3	31.3	−2.4	29.6	31.6	−1.6	29.9	31.6	−1.7
Rest of world/residual	.2	6.8	−1.2	2.4	1.2	1.3	1.0	—	.1
World total	730.4	741.9		772.1	746.4		771.5	763.4	

— = negligible. [1]Production and consumption on marketing year basis, trade on July-June year. [2]Forecast.

Oilseeds

Production Up 9 Percent

World oilseed production in 1981/82 is estimated at almost 173 million tons, 9 percent above 1980/81, but below the 1979/80 record. Gains in China and India more than offset the decline in the Brazilian crop. Soybean acreage in China rose sharply, producing a 9.2-million-ton crop. Other Chinese crops fared well, with large increases in rapeseed and sunflowerseed. China's gains are due to continuing price incentive programs. India's peanut crop was up nearly 1 million tons. Total U.S. oilseed production rose 17 percent, recovering from 1980's drought-reduced crop.

In the Southern Hemisphere, however, Brazil's soybean crop will be down nearly 17 percent. A moderate decline in acreage was exacerbated by several periods of dry weather that affected both early- and late-maturing varieties. Yields in Rio Grande do Sul, Brazil's major soybean-producing State, are down roughly one-third from last year. In Parana, yields are reported to be extremely variable because of spotty weather. Argentina's soybean crop is estimated to rise 23 percent, assuming continued good weather. With a 1.75-million-ton sunflowerseed crop, Argentina may be an important source of supply in a generally tight sunflower market this year.

World Trade Down; U.S. Exports Strong

Brazil's reduced soybean crop and lower export availabilities have major ramifications for world trade in 1981/82 and may also affect the 1982/83 outlook. The current estimate for 1981/82 Brazilian soybean exports is 700,000 tons, three-fifths less than last year. Brazil is expected to ship 500,000 tons to the Soviet Union—part of the 5-year, 2.5-million-ton, Brazilian-USSR agreement. Thus, Brazil's available soybean exports to other markets may be limited. Brazilian prices are increasing because of crushers competing for soybeans, the country's export commitments, and farmers' slow marketings.

Uncertainty surrounds Argentina's 1981/82 soybean exports partly due to the Falkland Islands crisis. Argentine soybean exports are forecast at 2.5 million tons, down 8 percent, despite increased production. New Argentine export taxes on soybeans, but not on soybean meal and oil, are expected to alter Argentina's export composition.

U.S. soybean exports are forecast at a record 24.5 million tons because foreign supplies are down. Exports have continued at a remarkable pace, 23 percent above a year ago.

World soybean meal exports in 1981/82 are forecast to fall below last year's level, primarily because of the decline in Brazil's crop. Although Brazil is expected to remain the leading meal exporter, exports are forecast to decline 14 percent to 7.4 million tons. Argentina will increase soybean meal exports by one-third, to 565,000 tons.

Prices Down Through April

In the EC, soybean meal imports are expected to improve nearly 6 percent in 1981/82. Soybean prices in Rotterdam during October-April have averaged $55 below a year earlier, and lower prices have improved livestock/feed profitability. The largest gains in use are expected in France and West Germany. France's poultry sector will expand roughly 3 percent in 1982, and the German proportions of meal used in feed should increase from last year's low. The corn/soybean meal price ratio favors increased use of soybean meal in animal feeds. Also, crushing margins have been more favorable in the EC than in the United States, drawing U.S. soybeans to Western Europe.

In Western Europe, Spain's second consecutive year of drought seriously limited domestic supplies of livestock feed. The share of U.S. soybean exports to that country should increase significantly, because Spain cannot depend on South American supplies to fulfill requirements. October-March shipments to Spain are nearly three-fifths above a year ago, and that country will be a key market for U.S. exports until domestic crop production recovers.

World protein meals and fats and oils

Item	1979/80	1980/81	1981/82[1]	1982/83[2]
	Million metric tons			
Protein meals[3]				
Production	95.2	85.5	92.3	95.1
Stocks, change in soymeal	+6.5	−1.6	−.8	−.2
Consumption	88.7	87.1	93.1	95.3
Fats and oils				
Production				
Total fats & oils	58.7	56.7	59.1	61.1
Edible vegetable	41.2	39.3	41.2	42.5
Stocks, change in U.S. soyoil	+1.1	0	−.1	−.1
Consumption[4]	57.6	56.7	59.2	61.2

[1]Preliminary. [2]Forecast. [3]44% protein meal equivalent. [4]Apparent consumption calculated from stock change.

Selected oilseed crop production

Crop	1979/80		1980/81		1981/82[1]	
	Mil. m.t.	*Pct. chg.*	*Mil. m.t.*	*Pct. chg.*	*Mil. m.t.*	*Pct. chg.*
NORTHERN HEMISPHERE						
United States	72.7	+24	55.8	−23	65.2	+17
Soybean	61.7	+21	48.8	−21	55.3	+13
Sunflower	3.4	+87	1.8	−47	2.1	+17
USSR						
Sunflower	5.4	+2	4.7	−13	4.6	−2
Canada						
Rapeseed	3.4	−3	2.5	−26	1.8	−28
India						
Peanuts	5.8	−6	5.0	−14	6.0	+20
China						
Rapeseed	2.4	+28	2.4	0	4.1	+71
Soybean	7.5	−1	7.9	+5	9.2	+16
SOUTHERN HEMISPHERE						
Brazil						
Soybean	15.2	+49	15.2	0	12.8	−16
Argentina						
Soybean	3.7	0	3.5	−5	4.3	+23
Malaysia						
Palm oil[2]	2.6	+18	2.8	+8	3.0	+7
WORLD	173.9	+12	158.7	−9	172.6	+9

[1]Preliminary. [2]Continous production.

Source: *World Crop Production.*

Prices of oilseeds, meals, and oils, c.i.f. European ports

Commodity	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Av.
	Dollars per metric ton												
Soybeans													
Rotterdam													
1979	284	298	310	300	300	322	322	302	292	283	281	279	298
1980	268	271	264	252	260	262	303	309	335	340	367	324	296
1981	323	306	305	316	306	291	294	283	264	260	257	256	288
1982	262	254	254	265									
Soybean meal													
1979	235	238	241	238	240	261	246	236	238	238	251	268	244
1980	244	238	225	218	224	218	243	260	292	310	336	295	259
1981	287	270	265	273	267	248	247	243	235	231	230	236	253
1982	242	235	226	230									
Soybean oil[1]													
Decatur													
1979	566	610	614	590	581	609	644	634	659	603	608	576	608
1980	520	512	478	440	445	475	575	571	573	540	579	523	519
1981	494	475	507	511	466	469	500	452	420	426	435	411	464
1982	408	401	407	430									
Copra													
N.W. Europe													
1979	670	691	690	728	724	725	735	690	613	601	610	595	673
1980	587	565	520	440	400	430	455	435	403	365	414	422	453
1981	433	411	392	385	389	382	367	363	350	360	364	351	379
1982	347	345	333	338									
Coconut meal													
Hamburg													
1979	202	202	205	209	211	218	219	214	222	223	221	223	214
1980	224	226	214	207	210	202	205	208	217	218	224	217	214
1981	220	210	198	194	190	181	180	182	184	189	195	199	194
1982	202	185	178	180									
Coconut oil													
Rotterdam													
1979	966	981	986	1,062	1,056	1,062	1,095	1,002	905	907	907	885	985
1980	885	840	760	660	618	630	648	620	590	580	650	610	674
1981	614	603	574	552	563	570	585	565	535	564	570	545	570
1982	536	526	480	502									
Peanuts													
N.W. Europe													
1979	636	621	605	628	597	540	580	560	535	520	472	480	565
1980	480	500	485	461	442	440	470	507	NQ	535	535	620	498
1981	627	650	NQ	[2]750	750	715	700	690	690	475	450	450	632
1982	450	430	420	411									
Peanut oil													
Rotterdam													
1979	976	969	972	970	925	893	913	867	872	812	775	720	889
1980	744	778	720	708	733	713	860	914	928	934	1,093	1,180	859
1981	1,110	1,100	1,115	1,105	1,185	1,185	1,160	1,160	1,005	863	805	720	1,043
1982	685	685	644	679									
Rapeseed													
N.W. Europe													
1979	284	306	317	300	304	318	324	327	326	318	311	306	313
1980	304	304	285	270	290	306	329	319	321	319	363	[2]323	311
1981	319	299	299	315	304	294	302	280	275	293	300	308	299
1982	313	305	291	301									
Fishmeal													
Hamburg													
1979	381	382	381	366	368	393	415	400	394	394	415	450	395
1980	491	518	478	470	505	484	479	490	501	512	568	557	504
1981	541	518	507	501	504	485	470	439	434	405	407	399	468
1982	390	369	357	357									
Palm oil													
N.W. Europe													
1979	636	694	688	666	665	675	678	650	640	602	620	630	654
1980	662	683	637	611	584	555	545	518	501	507	585	622	584
1981	625	640	620	588	599	640	600	531	509	513	500	483	571
1982	502	528	507	509									

NQ = no quote. [1]F.o.b. Decatur. [2]2 weeks. Source: *Oil World*, various issues.

Because of a sluggish livestock economy, Japan's 1981/82 feed requirements are not expanding, thus curtailing demand for soybean meal. U.S. soybean shipments during October-March were slightly behind a year ago, partly because of an excessive stock buildup late in 1980/81. Also, increased use of fishmeal and rapeseed meal reduced the proportion of soymeal in formula feeds.

Eastern European countries have been forced to reduce soybean meal imports because of hard currency shortages and credit constraints. Total soybean meal imports are estimated down 12 percent or nearly 500,000 tons. The U.S. share of soybean meal exports is sharply reduced. During October 1981-March 1982, no U.S. soybean meal was shipped to Poland. Meanwhile, total U.S. exports of soymeal to Eastern Europe declined 55 percent. Brazil is expected to continue as a major supplier of soybean meal to Eastern Europe. However, Brazil will likely extend less credit to Poland, which will further limit that country's soybean meal supplies. Fishmeal and peanut meal imports could supply some additional protein meal, but in general, Eastern Europe's livestock feed supplies will be reduced sharply, with protein meal shortages expected to continue.

Asia has emerged as a large importer of soybean meal. Fast-paced growth in the hog and poultry sectors has increased protein meal requirements. South Korea, Indonesia, and the Philippines have emerged as significant customers for U.S. soybean meal, buying 126,000 tons during October-March. The soybean crushing plant under construction in the Philippines remains closed for financial reasons. Korea's abundant supplies of soybean oil, partly due to tariffs which raise soybean oil prices relative to other oils, have prompted increased meal imports rather than soybeans.

In Latin America, Mexico's twofold increase in soybean production is reducing import demand sharply. Imports are expected to drop 620,000 tons below last year, despite an 8-percent rise in soybean meal consumption. Chile's protein meal imports in 1981/82 may decline slightly because of a slowdown in the swine and poultry sectors. Venezuela will increase domestic meal use 5 percent, reaching nearly 500,000 tons.

Brazil's trade liberalization policy now allows imports for domestic use. Furthermore, Brazil's tax on the foreign exchange necessary for imports has been eliminated. Brazil has imported more than 200,000 tons of soybeans from the United States, but Paraguay's exports to Brazil may be limited to 600,000 tons. Cheaper Argentine beans are being purchased by Brazilian crushers, adding to imports.

Supplies Up Slightly in 1982/83

World oilseed production for 1982/83 is forecast to rise slightly to 175 million tons, assuming average crop conditions. Several factors incorporated into this early estimate include slower growth in Indian and Chinese output, Brazil's recovery in soybean production, and continued growth in Argentina's oilseeds. The preliminary projection of U.S. 1982/83 oilseed output is 66.1 million tons, 1.4 percent above 1981/82. Based on trend yields, U.S. soybeans will likely account for 57.1 million tons, up 3 percent from last year, but below the 1979/80 record.

Reduced carryin stocks of major oilseeds, combined with a small rise in world output, could lead to only a modest increase in world supplies in 1982/83. Total protein meal production could reach 95.1 million tons.

World oilseed meal demand in 1982/83 is forecast to increase nearly 2-1/2 percent. Some recovery in economic conditions and a stable dollar relative to European currencies could raise foreign demand. However, U.S. meal demand may be hampered by declining protein-consuming animal units. Therefore, ample U.S. export supplies are likely, and strong movement is anticipated before the 1982/83 Brazilian harvest. Despite a tighter world outlook, weak U.S. meal demand may maintain soybean prices at $5.85 to $7.50 a bushel ($215 to $275 a metric ton), relatively unchanged from the average price of $6.05 ($222 a ton) forecast for 1981/82.

Vegetable Oil Price Prospects

Lower-than-anticipated 1981/82 supplies have recently caused increased edible vegetable oil prices. However, the structure of the market will not sustain significant real price increases, even though wide fluctuations may occur because of political disruptions or exceptionally poor weather.

Several transient factors are currently driving up the price of vegetable oils, including slower growth of Malaysian palm oil production during late 1981 and early 1982, lower European stocks, and reduced availabilities from South America. Lower-than-expected Brazilian soybean production will likely reduce oil supplies for export, especially late in 1982. However, in April, market anticipation drove Brazil's domestic soybean oil price above the export price. The Government's plan to begin stockpiling soybean oil is another source of uncertainty. While the Brazilian situation is unsettled, Argentina's plans to dramatically increase vegetable oil exports could be disrupted by the Falklands Islands crisis. Not only could sales to Europe be affected, but foreign exchange demands could lead to the prompt export of oilseeds instead of oils.

However, all these bullish factors are likely to be short lived, and ample supplies should be available later in 1982. Argentine oilseeds or oil will eventually enter the world market. A Brazilian production shortfall of less than 2.5 million tons is not crucial to world prices, given prospective increased soybean acreage in the United States. Malaysian palm oil production in the latter half of 1982 is projected to increase dramatically. [Jan A. Lipson (202) 447-8855 and Ed Allen (202) 382-9820]

Meat

Output May Decline in 1982

Global meat production is being depressed by the current slowdown in world economic growth and last year's poor returns to livestock producers. Demand for meat, especially beef and pork, has been dampened by recessions in many countries.

As a result, total meat production for 1982 may show a slight decline, just under 1 percent, after rising 1 percent in 1981. The forecast drop in U.S. pork production accounts for a good part of the decrease. Total world production of beef and veal is expected to be down in 1982, after showing some gain in 1981. While last year the global decline in pork production was compensated for by the 5.5-percent increase in poultry, 1982 will not see a similar pattern because total poultry meat production is forecast to increase less than 1 percent.

Beef and veal production

Country	1979	1980	1981[1]	1982[2]
		1,000 metric tons		
United States	9,925	9,999	10,353	10,358
Canada	946	971	1,015	1,030
Mexico	1,025	1,060	1,105	1,175
Argentina	3,092	2,876	2,955	2,790
Brazil	2,100	2,150	2,250	2,400
France	1,824	1,831	1,840	1,825
Germany, Fed. Rep.	1,519	1,564	1,535	1,495
Italy	1,106	1,148	1,111	1,140
Total EC-10	6,881	7,123	6,865	6,829
Eastern Europe	2,642	2,567	2,357	2,343
USSR	6,903	6,873	6,700	6,550
Australia	1,770	1,539	1,424	1,427
Other	5,496	5,610	5,605	5,573
Total	40,780	40,768	40,629	40,475

[1]Preliminary. [2]Forecast.

Source: Foreign Agricultural Service.

Pork production

Country	1979	1980	1981[1]	1982[2]
		1,000 metric tons		
United States	7,009	7,537	7,200	6,246
Canada	750	877	869	860
Mexico	430	470	490	515
Germany, Fed. Rep.	2,688	2,726	2,700	2,670
France	1,686	1,691	1,742	1,750
Netherlands	1,045	1,062	1,134	1,150
Total EC-10	9,196	9,376	9,526	9,564
Eastern Europe	6,836	6,898	6,723	6,798
USSR	5,268	5,092	5,200	5,000
Japan	1,430	1,476	1,396	1,415
Other	5,562	5,825	5,909	5,957
Total	36,481	37,551	37,313	36,355

[1]Preliminary. [2]Forecast.

Source: Foreign Agricultural Service.

Beef To Change Little

In the major beef-producing regions, total cattle numbers were up less than 1 percent at the beginning of 1982. U.S. cattle numbers are estimated at 115.7 million head, an increase of only 1 percent, compared with a 3-percent rise the year before. Australian and Argentine herds are still declining, and, although the upturn in the cycle has been expected for some time, the adverse economic situation and low beef prices have perpetuated a delay.

Not much change is expected for world beef and veal production, but declines in Argentina, the USSR, and others may bring the total slightly below last year. In the United States, production will likely remain at last year's level. Pessimism about this year's economic outlook and poor feeding margins through last fall held down feedlot placements for much of 1981. This winter's feedlot placements rose as producers, who suffered financially for over 2 years, began to show profits because of lower feed prices and an upturn in prices for fed cattle.

A 7-percent increase is forecast for Brazil's production, and exports should continue to climb in response to tax exemptions and export credits. Australia's production is likely to remain about unchanged in 1982, after declining over 7 percent last year. Pasture conditions have returned to normal, but the lower profitability of beef compared with sheep and grains may limit the rate of herd buildup.

Last year, Argentina exported 486,000 tons of beef, with 34 percent going to the EC and half of that to the United Kingdom. Sanctions were imposed by the EC on trade with Argentina until the end of hostilities, but previously signed contracts were not affected, and Italy and Ireland did not participate. Overall, increased shipments to Egypt and Israel and exports to the EC through third countries are expected to increase Argentina's beef trade over last year.

Pork Output To Decline

Total hog numbers in the major producing regions at the beginning of 1982 declined 1 percent, largely reflecting a 9-percent drop in the United States and an estimated 1-percent rise in other countries. With continued financial losses in 1981, U.S. producers cut hog numbers, and pork production in 1982 is forecast to drop about 13 percent. Foreign pork output will likely show virtually no growth.

In the EC, pork output is forecast to rise only marginally, limited by 1981's low returns that resulted in stagnant hog numbers. An outbreak of foot and mouth disease in Denmark may cause some shift in world pork trade patterns, because all Danish exports of fresh or frozen meat, live animals, butter, and casein have been banned from entering the United States, Japan, Canada, Australia, other Scandinavian countries, and some South American nations.

Denmark is the world's largest pork exporter (700,000 tons in 1981), accounting for over a quarter of the total—half of this is fresh, chilled, or frozen; 20 percent is canned; and 30 percent is salted, dried, or smoked. Meat treated to 158° F or greater is not affected by the ban.

Denmark's shipments of fresh or frozen pork amounted to more than 70,000 tons to Japan in 1981 and 11,000 tons to the United States. The United States may slightly increase its exports to Japan in 1982, above the 40,000 tons that were shipped last year. Canada is also expected to raise its exports to Japan, even though Canadian pork production in 1982 may be down slightly from a year earlier.

Pork output in Eastern Europe is expected to increase marginally. A 7-percent drop is forecast for East Germany, partly because of lower imports of feed grains. Poland may show some increase from last year's low output, because the good potato crop last year improved the domestic feed situation. Feed shortages in some nations caused hog numbers to decline in 1981, and adequate feed will be critical. Feed shortages during 1981 forced the Soviets to slightly reduce hog numbers—an action that is expected to limit increases in pork production in 1982.

Poultry Increase To Slow

In the major producing countries, poultry meat output is expected to grow only 1 percent, considerably down from last year's 5-percent gain. This slowdown is primarily due to expected declines in the United States and

Poultry production

Country	1979	1980	1981[1]	1982[2]
	1,000 metric tons			
United States	6,520	6,627	6,986	6,912
Canada	539	530	543	550
Mexico	404	476	522	561
Brazil	1,096	1,330	1,485	1,585
France	1,034	1,122	1,252	1,342
Total EC-10	3,830	4,003	4,158	4,332
Eastern Europe	1,893	1,944	2,016	1,732
USSR	2,017	2,103	2,250	2,350
Japan	1,109	1,145	1,131	1,160
Other	2,515	2,725	2,893	2,930
Total	19,923	20,883	21,984	22,112

[1]Preliminary. [2]Forecast.

Source: Foreign Agricultural Service.

Poland, because combined output in other countries is forecast to grow by almost 4 percent. In Poland, severe shortages of imported feed due to financial constraints may result in a substantial decline in output, from 454,000 tons in 1981 to 154,000 in 1982.

Low returns are restraining U.S. output. Turkey production is expected to fall, but broilers may show some gain. Broiler exports have been down in the first 4 months of this year, and this is contributing to weak domestic prices. Increasing competition from subsidized Brazilian and EC exporters limits the ability of the United States to expand its market share. Of the major U.S. markets, Egypt has temporarily suspended poultry imports, and, with an expected increase in domestic production, Japan will not likely increase purchases as rapidly as it did last year.

Even with the USSR's tight overall feed situation in 1981, poultry production rose 7 percent because adequate feed was allocated to this sector. The Soviets are encouraging increased poultry output. Therefore, even with feed grain shortages again this year, a 4-percent rise is expected.

Output in the Middle East will continue to rise, but the large gains forecast for consumption will come from stepped-up imports, mainly from the EC and Brazil. [Linda M. Bailey (202) 447-4863]

Sugar

World sugar prices dropped to 4-year lows in May and June and will likely continue low throughout 1982. World production of centrifugal sugar is projected at a record 96.3 million tons, raw value, up 10 percent from the poor crop of 1980/81. With global sugar use forecast at no more than 91 million tons in 1981/82, stocks of more than 5 million could accumulate during the season.

Production for 1981/82 Revised Upward

USDA's revised estimate of 1981/82 world sugar production is about 500,000 tons above the initial forecast in November—largely from higher-than-anticipated production of beet sugar in the EC and from increased cane sugar output among some of the larger sugarcane producers. The EC's output, now projected at 15.8 million tons, is up 1 million from the November estimate and represents a 2.8-million-ton increase over the previous season. Higher output in France, West Germany, and Italy spurred the overall upturn in the EC, as larger beet acreage combined with excellent weather to produce record crops in many countries. EC production accounts for 45 percent of world beet sugar output, currently projected at 35 million tons, up 8 percent from 1980/81. World beet sugar production was revised upward, even though output in the Soviet Union is now placed at 6 million tons, down 1.1 million from USDA's initial forecast. Poor seed resulted in thin stands that, along with drought last summer, reduced the Soviet beet crop to only 60.6 million tons, compared with 79.6 million a year earlier.

Cane sugar production for 1981/82, now forecast at 61.3 million tons or 64 percent of world sugar output, is up 6.8 million from 1980/81. Estimates for South Africa, India, and Thailand are all above earlier indications.

Low Prices To Continue

The prospect of mounting stocks has dragged the International Sugar Agreement (ISA) world price for raw sugar to an average of 8.1 cents a pound in May and to about 7 cents in early June. The decline returns the world market to the low-price phase of the sugar cycle, which was interrupted by two poor crops in 1979/80 and 1980/81. Prices for raw sugar averaged 28.7 cents in 1980 and 16.9 cents in 1981. The world price will likely average 9 to 11 cents in 1982. Low world sugar prices are expected to discourage some sugar beet plantings in 1982/83. Acreage in the EC is projected to be off somewhat from last year's record.

U.S. beet and cane sugar production in 1982/83 could fall about 10 percent from last season's 5.72 million tons, despite the sugar price support program enacted in December. Consumption will likely decline another 2 to 3 percent in 1982. Imports could drop sharply from 1981's high of 4.5 million tons, to around 3.3 million, because of: (1) an expected falloff of about 800,000 tons in U.S. refined sugar exports, (2) the late 1981 surge in imports in anticipation of duty and fee increases, (3) the prospective decline in domestic sugar use, and (4) much smaller inventories by the end of the year. Quota limits imposed in May to defend domestic price support will further restrict imports.

ISA Struggling To Achieve Target Prices

The ISA basic export tonnages (BET's) for 1982 were released in mid-March. These totaled 19.4 million tons, compared with 1981 BET's of 17.8 million, and include an increase of 700,000 tons for India. Inasmuch as quotas cannot be imposed at less than 85 percent of a country's BET or less than 70,000 tons, whichever is larger, effective 1982 quotas total 16.86 million. However, the established global quota (an estimate of market needs) is only 12.9 million tons. Therefore, the ISA's BET's are not restrictive enough to lift prices to the target range of 13 to 23 cents a pound for raw sugar.

In May, the ISA executive council established 1983 and 1984 BET's at the same level as in 1982. The ISA was formally extended another 2 years, through 1984. Further, the accumulation of special stocks is to be accelerated so that the 2.5 million tons called for by the agreement will now have to be set aside by December 31, 1983, instead of July 1, 1984. [Robert Barry (202) 447-7290]

Coffee and Cocoa

Record Coffee Crop Softens Prices

World coffee production during 1981/82 is estimated at a record 96.4 million bags (60 kilograms each), up 13 percent from 1980/81. The rise in world coffee production comes from large increases in India, Uganda, and particularly Brazil, where output expanded over 50 percent. Output is also forecast to increase for the following major producers: Colombia, Ecuador, Ethiopia, Kenya, Madagascar, and Peru. However, production is expected to decline in Costa Rica, El Salvador, the Dominican Republic, Cameroon, the Ivory Coast, Tanzania, and Venezuela. Indonesian and Guatemalan output will likely remain relatively unchanged in 1981/82.

World exportable supplies are expected to exceed 75 million bags, up from 65 million in 1980/81. Global exports could total 64.7 million bags in 1981/82, 9.4 percent above last season. Ending stocks in producing countries are expected to rise to about 43.3 million bags or nearly 45 percent of 1981/82 output, compared with 37 percent in 1980/81 and a 20-year low of 31 percent at the end of 1979/80. Nearly 60 percent of the stocks will be held in three exporting countries—Brazil, Colombia, and the Ivory Coast. Brazil alone will likely account for around 31 percent of world ending stocks.

The October 1981-September 1982 export quota established by the International Coffee Agreement (ICA) was 56 million bags. The agreement attempts to stabilize world prices by restricting the flow of coffee to member markets. However, ICA members have been attempting to increase exports to nonmember countries by lowering prices. Average green coffee prices in 1982 (1976 ICA basis) declined to $1.20 a pound in May from a monthly high of $1.35 in February. Prices averaged $1.15 in 1981, but they could rise above $1.20 in the second half of 1982 because the 1982/83 world coffee crop is down 16 percent from last season. Nearly all of the shortfall comes from a sharply lower Brazilian crop, which was hit by frost in July 1981.

Record Cocoa Production Weakens Prices

World cocoa bean production during October 1981-September 1982 is forecast at 1.72 million tons, the third successive record and almost 2 percent above last season, largely from production increases in the Ivory Coast, Malaysia, and Nigeria. The uptrend in world cocoa output reflects increased plantings spurred by the high prices of the late 1970's.

World cocoa bean grindings for calendar 1982 are expected to increase to around 1.62 million tons, up from 1.58 million in 1981, indicating a buildup in world cocoa bean stocks for the fifth consecutive year. Inflation, the economic slowdown in major importing countries, and the availability of substitutes and extenders continue to hamper potential increases in global consumption.

New York cocoa bean prices (the average of the nearest 3 active futures-trading months) have dropped from the record $1.72 a pound in 1977 to 90 cents in 1981. May 1982 prices averaged 73 cents, down from 96 cents in January. Prices will likely remain low during the next several months.

After almost a year of operation, the International Cocoa Agreement (ICCA) has not succeeded in supporting cocoa prices at the floor price of $1.10 a pound. The world's largest producer, the Ivory Coast, and the largest consumer, the United States, are not ICCA members.

After reaching a 5-year low of 70 cents a pound in June 1981, world cocoa prices rallied to $1.01 in September on news the ICCA would be put into effect. However, the market again turned bearish when it became apparent that Buffer Stock Fund (BSF) purchases and reserves were inadequate to support prices at the ICCA floor. By mid-March, the BSF had purchased slightly over 100,000 tons of cocoa and currently is negotiating a $75 million loan that would enable the BSF to purchase an additional 40,000 tons at current market prices. The total of 140,000 tons is equivalent to 8 percent of the 1981 world crop. [Fred Gray (202) 447-7290]

Cotton

Production To Decline in 1982/83

World cotton production in 1982/83 (August/July) will likely decline to 67.7 million bales (±3.5 million), down almost 5 percent from this season. Almost all of the reduction is projected to occur in the United States, where a 15-percent acreage reduction program is in effect. U.S. production is expected to total 12.5 million bales (±1.5 million), reflecting average yields and a 10- to 15-percent reduction in acreage. Through late May, planting was about on schedule throughout the U.S. Cotton Belt, except in Texas and Oklahoma where excessive rain delayed planting. Foreign production will likely be unchanged at 55.2 million bales. Foreign harvested area may drop about 1.1 percent to 27.5 million hectares, but production will not fall proportionally because of a projected increase in yields.

Global cotton use is forecast to increase to 67.7 million bales, assuming some recovery from the present worldwide recession. U.S. mill use may rise to 5.7 million bales, up from this season's 5.3 million, the lowest in 5 decades. Mill use in foreign countries may increase about 2 percent to 62 million bales, with China and other countries in the Far East accounting for most of the gain.

Trade Should Continue To Climb

Outside the United States, cotton supplies may be relatively tight in 1982/83, with projected mill use exceeding production by 6.8 million bales. For this season, foreign mill use exceeded production by 5.4 million bales. Therefore, world cotton trade in 1982/83 is expected to rise to 20.3 million bales, up from 19.9 million this season. With an improved world economy, a larger consumption/production gap in foreign countries, and the largest U.S. supply since 1969, prospects for increasing U.S. exports and its share of world trade are favorable. U.S. exports are forecast at 7.3 million bales(±1.5 million), up from an estimated 6.7 million this season, raising the U.S. share from 34 to 36 percent. U.S. cotton prices declined during most of 1981/82, continuing the long downward trend that began in September 1980. The Outlook "A" Index reached a low of 68 cents a pound in December 1981 and rebounded to 77 cents in May. This index switched from a basis of SM 1-1/16 inch, c.i.f. Northern Europe to M 1-3/32 inch in August 1981. The price of U.S. M 1-3/32 inch cotton, c.i.f. Northern Europe has followed a similar pattern. Its price had a 1-cent premium over the Outlook "A" Index during August-November. This premium increased to 6 cents in April and fell back to 2 cents in May. [Henry S. Foster, Jr. (202) 447-8776]

World cotton production, trade, and consumption[1]

Country	1979/80	1980/81	1981/82[2]	1979/80	1980/81	1981/82[2]
			Million 480-lb. bales			
		Production			*Exports*	
United States	14.6	11.1	15.6	9.2	5.9	6.7
USSR	13.1	14.3	13.8	3.8	4.3	4.1
China	10.1	12.4	13.6	—	—	—
India	6.0	6.1	6.2	.4	.5	.2
Pakistan	3.4	3.3	3.5	1.2	1.5	1.2
Brazil	2.7	2.8	2.7	—	—	.1
Egypt	2.2	2.4	2.4	.9	.7	.9
Turkey	2.2	2.3	2.2	.6	1.0	.9
Mexico	1.5	1.6	1.4	.9	.8	.7
Central America	1.1	1.2	.9	1.0	1.1	1.0
Sudan	.5	.4	.6	.4	.4	.4
Western Europe	.7	.8	.8	.3	.2	.3
Eastern Europe	.1	.1	.1	—	—	—
Japan	—	—	—	—	—	—
Korea, Republic	—	—	—	—	—	—
Hong Kong	—	—	—	.1	.1	.1
Taiwan	—	—	—	—	—	—
Other	7.4	6.8	7.1	3.9	3.6	3.3
World total	65.6	65.6	70.9	22.7	20.1	19.9
		Imports			*Consumption*	
United States	—	—	—	6.5	5.9	5.3
USSR	.3	.3	.3	9.1	9.3	9.4
China	3.9	3.3	2.6	13.8	15.4	16.0
India	—	—	.1	5.8	6.3	6.0
Pakistan	—	—	—	2.0	1.8	1.8
Brazil	—	—	—	2.6	2.4	2.5
Egypt	—	—	—	1.3	1.3	1.4
Turkey	—	—	—	1.2	1.3	1.4
Mexico	—	—	—	.8	.7	.7
Central America	—	—	—	.1	.1	.1
Sudan	—	—	—	.1	.1	.1
Western Europe	5.2	4.2	4.6	5.6	5.1	5.1
Eastern Europe	3.2	3.5	3.2	3.4	3.4	3.4
Japan	3.3	3.2	3.3	3.4	3.3	3.2
Korea, Republic	1.6	1.5	1.6	1.6	1.4	1.6
Hong Kong	1.2	.7	.8	1.1	.7	.7
Taiwan	1.2	1.0	1.1	1.0	.9	1.0
Other	2.9	2.7	2.6	5.9	6.2	6.1
World total	22.8	20.4	20.2	65.3	65.6	65.8

— = negligible. [1]Year beginning August 1. [2]Forecast.

Source: Foreign Agricultural Service.

REGIONAL AGRICULTURAL DEVELOPMENTS

United States

Crop Supplies Continue Large

Large crop supplies have been overhanging the U.S. market since the bountiful fall harvests. The uptrend in domestic use and exports has leveled off this year. Sluggish economic growth in most countries, a strong U.S. dollar, and poor feed-livestock price relationships have slowed use. As a result, the prices of major field crops have declined during 1981/82.

An acreage reduction program was announced for 1982 crops. Farmers who voluntarily reduce acreage 10 to 15 percent (depending on the crop grown) below a calculated base acreage will benefit from price support and be eligible to participate in a 3-year storage program that allows grain farmers to increase their returns if prices rise during this period. Interest in the program has been high, but actual participation will not be known until sometime this summer. Cotton and rice acreage will likely be down 10 to 12 percent in 1982, while plantings of wheat and feed grains may decline around 2 percent. Soybeans are not under the program, and acreage probably will increase a little.

1982 Crop Production May Be Smaller

The actual size of the 1982 harvest will be determined by the weather through early fall and by the extent of participation in the acreage reduction program. However, with anything but poor weather, crop output will likely be large again this year. Total U.S. grain production is currently forecast 5 to 10 percent below last year's record but is still about 15 percent larger than the 1980 crop. Domestic grain use may pick up a little, because livestock producers are responding to improved returns brought about by lower feed costs and higher livestock prices. With larger world grain production in prospect, U.S. exports will likely be close to this season's move-

ment. Thus, U.S. stocks may continue to build well into next year. The cotton situation is different. U.S. production will likely be down, while both domestic mill use and exports may rise.

Meat Production Declines

Meat production is declining this year because livestock producers responded to low profits that existed from mid-1979 through most of 1981 by reducing breeding herds and grain feeding fewer animals for slaughter. Pork production will decline 10 to 15 percent following last year's moderate reduction. Declines will be the sharpest this fall as producers retain gilts for the breeding herd. Beef, broiler, and egg production will be about the same as last year. Total production of red meat and poultry will be off more than 4 percent.

Reduced production has led to higher livestock prices in the first half. Hog prices rose to about $60 per cwt in late May, up from $40 last December. Fed cattle increased more than $10 to the low $70's in early June before declining moderately. Weak export demand, especially for whole birds, has resulted in broiler prices through the first half of 1982 below last year. Even though meat production will continue to trail year-earlier levels, further price gains will likely be limited. The general economy is expected to improve this summer and fall, but unemployment rates will remain high, and consumer incomes, after allowing for inflation, will only be slightly higher in the second half than they were a year earlier. Higher livestock prices will encourage expanded cattle feeding and eventually lead to an increase in pork and broiler production. However, with the long lags in beef and pork production, it will be well into 1983 before meat supplies again go above year-earlier levels. [Donald Seaborg (202) 447-8376]

Canada

Large 1982 Harvest Expected

Preliminary forecasts indicate Canada's 1982 crop production may nearly equal last year's record. Soil moisture at planting time was in good supply throughout most of the crop-growing area, and average weather patterns during the rest of the season will probably result in above-average yields. Farmers' preseason intentions were to plant 21.8 million hectares to cereal crops, about 1.4 percent more than last year's record. The preseason forecast for total cereal production was 47.8 million tons. This would be about 5 percent below last year's 50.2 million tons; both planted area and aggregate yield set records that year.

Oilseed/grain price and stock ratios favor increased oilseed production in 1982. The area planted to soybeans, flax, and rapeseed is expected to increase by at least 8 percent. Spring forecasts of low 1982/83 ending stocks of rapeseed may cause farmers to plant more than they indicated in the planting intentions survey.

Livestock Production in Slow Recovery

After declining in 1981, livestock production will likely begin to recover in 1982. Nevertheless, total growth will be less than 1 percent. Beef production, now in the third year of an expansionary phase of the cattle cycle, is growing at a rate slightly below the 2.5 to 3 percent that is normal for the early part of the rebuilding phase. Conversely, pork production, which is in the contractionary phase of the hog cycle, is expected to decline about 2.5 percent in 1982. Declining grain prices may cut feed costs sufficiently to shorten the decline in pork production. Pork exports are expected to drop 8 percent to 115,000 tons in 1982, the first decline in 6 years.

Trade Surplus Expands

Canada's agricultural trade balance improved in 1981. Buoyed by larger production and stocks of many commodities and a more favorable exchange rate, the value of agricultural exports increased by more than 12 percent. Meanwhile, imports rose less than 10 percent. Canadian purchases of agricultural products from the United States totaled about $3 billion. [Ron Trostle (202) 447-8289]

Western Europe

Differences in political and economic viewpoints among member governments of the EC impeded agreement on the 1982/83 agricultural price package. The average price increase finally agreed upon is a record-high 11 percent. Although such an increase will be substantially below farm organization demands for a 16.4-percent rise, it does exceed the 9 percent proposed by the EC Commission.

Disagreement Over Economic Strategy

The European economies continue to be stymied by recession. In the EC, several currency realignments have taken place within the European Monetary System (EMS) since October 1981 because of significant changes in the relative strength of member-country currencies. The tense situation is also seen in the divergent views held by member-country governments on the methods by which economic growth might most effectively be stimulated in the EC. France seeks a policy of reflation that includes a lowering of interest rates, greater budgetary stimulus, and currency controls. West Germany and the United Kingdom fear that if the productive forces of the EC do not respond sufficiently to the monetary expansion implied by the French policy proposals, inflation would accelerate, possibly touching off volatile fluctuations in currency exchange rates. That might undermine the EMS, particularly if the West German mark were to suffer a serious decline on world currency markets.

Farm Price Agreement Delayed

The potential for monetary instability compounded the difficulty of reaching agreement on 1982/83 agricultural prices. The EC's agricultural sector is cushioned against currency changes within the EMS by mechanisms that tend to minimize the influence of those changes on farm income. A deterioration in the cohesiveness of the EMS, as foreseen by some observers if reflationary policies are undertaken, could cause that system of safeguards to become less effective, leaving the agricultural sector more exposed to the vagaries of currency fluctuations. Concerns of this nature helped motivate the 11-percent increase.

The price agreement was delayed for various reasons. Greece and Italy were among the governments most hesi-

tant. Greece has demanded special aid from the EC for its agriculture, while Italy had reservations about the level of wine prices (a commodity whose overproduction is already a source of contention between Italy and France). However, the primary reason for the delay was the United Kingdom's opposition to any price increases pending favorable action on its budget rebate demands. Nevertheless, in a move opposed by the United Kingdom, Denmark, and Greece, the price plan was put into effect by making an agreement based on a simple majority rather than the customary unanimity designed to protect individual national interests. Supporters of the majority vote action argue that there is no basis for claiming a linkage between the price plan and budget issues. The opposition is concerned about the precedent that has been set.

U.S. Farm Sales To Rise

U.S. exports of farm products to Western Europe during 1981/82 are expected to rise about 7 percent over the previous year to $12 billion (not adjusted for transshipments). This increase is largely attributable to expanded sales of grain to drought-stricken Spain.

U.S. agricultural sales to the EC are expected to be narrowly above 1980/81 and should reach about $8.7 billion. Overall exports will be boosted by a rise in sales of soybeans and meal to most of the EC, after a year of depressed exports due to price and currency factors. Increased sales of rice to Italy and of wheat to Italy and Greece will not compensate for the loss in corn exports to those countries, which is causing a large decline in U.S. corn sales to the EC this year. Both countries had record corn harvests in 1981 and have good prospects for 1982.

It is not likely that U.S. agricultural exports to Western Europe during the remainder of 1981/82 will be appreciably affected by the Falklands crisis. Argentina has been a supplier of corn to Italy, but if the U.S. share grows as a result of the EC embargo (which is of uncertain duration), this will either not be reflected in 1981/82 sales or will be of little importance even into 1982/83 because of the absolute decline in Italian corn imports compared with recent years.

As part of its effort to encourage the feeding of more EC grain to its livestock, the EC is seeking to negotiate a limit on imports of corn starch residues. The United States is resolutely opposed to the EC initiative because of the considerable U.S. exports of corn gluten feed to the EC and because this could be only the start of a series of similar actions on other feedstuffs not currently covered by variable levies. [Miles J. Lambert (202) 447-8289]

Australia

Recovery From Drought

Australia's agricultural production is rebounding from the drought of last year, but lower prices and higher costs are reducing farm income. Agricultural production was estimated to rise about 13 percent during July 1981-June 1982, compared with the previous year. The volume of crop output is 25 percent higher, while livestock production is slightly below last year. Lower world prices have reduced domestic crop prices, limiting farmers' gross income to an estimated 6-percent increase. Moreover, farm costs rose 11 percent and resulted in a smaller net farm income than last year.

Wheat Crop Larger

The wheat harvest of this past December and January was about 16.4 million tons, 5.5 million larger than last year's drought-reduced crop and the second highest on record. Wheat exports are expected to rise about 2.4 million tons to 12 million during the current marketing year. However, actual exports will depend upon the country's ability to avoid strikes and other labor difficulties.

The area planted to wheat in May and June is expected to increase for the eighth consecutive year. Wheat production has been profitable, and the price stabilization program offers protection from sharply falling world prices. An expansion in wheat production will be reflected in higher wheat exports in the future.

Meat Output Declines

Total meat production in 1981 was about 6 percent below the preceding year. Beef and veal output was off 7 percent because of a reduction in the size of the cattle herd and poor pasture conditions. Lamb and mutton production was off 6 percent because slaughter declined while the flock size increased slightly. Meat production is expected to remain near last year's level in 1982. Consequently, domestic consumption and exports are likely to show only small changes. [Allen Johnson (202) 447-8378]

Japan

The United States stepped up pressure on Japan to open up its agricultural market. Despite strong resistance, some concessions were made and more are expected. Nevertheless, U.S. agricultural exports are forecast to fall in fiscal 1982, because Japan's livestock economy remains in recession. On the brighter side, the rice surplus problem has abated substantially and will not be as disruptive to trade as it was in recent years.

United States Presses for Market Access

As a result of a $16 billion trade deficit with Japan in 1981, projected low U.S. farm income, and economic recession, the United States intensified efforts to resolve problems of market access. Japan's restrictions on agricultural products became the focal point of numerous meetings and state visits during which the United States urged removal of trade barriers and Japan defended its protectionist policies. In December 1981, Japan announced its intention to accelerate by 2 years tariff reductions on 1,653 items, and in late January, it revealed a package of 67 actions it would take to facilitate trade by removing or reducing the effect of various nontariff trade barriers. The measures include improved grading practices for imported sake, an increased number of inspectors for U.S. cherry and papaya shipments, and possible revision of plywood standards. The United States viewed these concessions as not enough.

Pressure continued at the March Trade Subcommittee (Tokyo) and the April Agricultural Working Group (Washington) meetings. Japan was asked to justify its import quotas on agricultural and marine products under articles of the General Agreement on Tariffs and Trade and to make more substantive concessions affecting import quota items. Enactment of reciprocity legislation

Japan: Paddy field utilization reorientation program, plans, and performance

Item	1978	1979	1980	1981	1982	1983
			1,000 metric tons[1]			
Production potential	13,400	13,400	13,600	13,750	13,750	13,750
Production target (PT)	11,700	11,700	11,150	10,800	10,800	10,550
Reduction target	1,700	1,700	2,450	2,950	2,950	3,200
Actual production (AP)	12,589	11,958	9,571	10,259	NA	NA
Actual consumption (AC)[2]	11,364	11,218	11,209	11,097	NA	NA
			1,000 hectares			
Actual area planted	2,548	2,497	2,377	2,278	NA	NA
Diversion target	391	391	535	631	631	677
Actual diverted area	438	472	584	667	NA	NA
AP/PT	1.08	1.02	.86	.95	NA	NA
AP/AC	1.11	1.07	.85	.92	NA	NA

NA = not available or applicable.

[1]Production and consumption figures on brown basis. [2]Includes rice for direct human consumption, processing, use, and waste.

Japan's exports of surplus rice

Year	Indo-nesia	South Korea	Bangla-desh[1]	Total	Share[2]
		1,000 metric tons[3]			*Percent*
1969	6	308	17	331	99.9
1970	151	302	112	597	94.6
1971	125	527	162	909	891.4
1972	101	—	57	200	78.8
1973	250	92	70	517	79.7
1974	135	45	33	284	75.0
1975	10	—	—	10	98.5
1976	—	—	—	—	12.4
1977	17	—	—	17	99.9
1978	74	—	—	75	99.6
1979	169	228	155	564	97.7
1980	210	144	120	654	72.5
1981	78	625	19	795	90.8
1982	—	—	11	100	11.0

— = negligible.

[1]Prior to 1972, East Pakistan. [2]Indonesia, South Korea, and Bangladesh as percent of total. [3]Milled basis.

Source: Japan Tariff Association.

was cited as a possible consequence of Japanese inaction.

Japanese support for continued agricultural protectionism was mixed. Zen-chu, the political arm of the Japanese cooperative movement, initiated an anti-liberalization campaign in early March. Other agricultural organizations and consumer groups supported the Zen-chu effort, as did various committees of the Diet. On the other hand, the Keidenran, an influential business group, came out on the side of trade liberalization.

The Government made public another trade liberalization package before the Versailles Economic Summit in early June. Measures affecting agricultural products include expansion of import quotas or the setting of minimum quota levels on such items as prepared and preserved pork and canned pineapple, tariff reductions on 15 items, and improvement in import procedures. Import quotas on beef, oranges, and citrus juice will not be formally discussed until October, as agreed at the March Trade Subcommittee meeting.

U.S. Exports Forecast To Slip

In the shadow of policy developments, Japan's agricultural sector continued to be affected by weak demand and budgetary constraints. After reaching a record $6.7 billion in fiscal 1981, the value of U.S. agricultural exports to Japan is expected to decline to $5.9 billion for the current fiscal year. Lower agricultural prices, Japan's stagnant livestock economy, and a declining U.S. share of Japan's coarse grain imports are the major factors contributing to the decline.

Rice Surplus Declines

Japan's surplus rice stocks, now less than 1.5 million tons, have diminished substantially as a result of two back-to-back weather-reduced harvests. The amount of surplus rice used for feed is running behind the Food Agency's allocation and will likely amount to 200,000 to 250,000 tons in Japan's fiscal 1982 (April 1982-March 1983). Exports of surplus rice are likewise expected to be much less than last year's 795,000 tons and will be in line with levels specified in the U.S.-Japan rice agreement of April 1980. Exports for January-March amounted to 100,000 tons, with most destined for nontraditional African markets and Poland. Japan intends to export 100,000 tons to Bangladesh on a deferred-payment basis and perhaps an additional 100,000 on a grant basis in the second half of the year. The decision is contingent upon consultation with other exporting countries. [William Coyle (202) 447-8860]

USSR

This year promises to be critical for Soviet agriculture. Three years of poor performance have resulted in formal rationing programs for livestock products. Grain stocks are believed to be depleted. Soviet agricultural purchases now amount to nearly $20 billion and represent a quarter of total imports. They are a significant drain on foreign exchange reserves at precisely a time when prices for major Soviet hard currency earners—petroleum and gold—have declined. Problems in the delivery of agricultural raw materials are being cited as a reason for plan shortfalls in industrial sectors. While weather remains the principal cause of year-to-year variation in produc-

tion, Soviet inefficiency and poor agricultural practices have continued, and will continue, to contribute to the slow growth of the farm sector.

Grain Production To Fall Short of Plan

Crop progress reports on 1982 winter grains remain mixed. Good weather has generally prevailed through mid-May and winterkill is reported to be below normal. However, mold damage may have occurred in the Russian Republic's Nonblack Soil Zone. Thin stands are reported in some areas. During late May and early June, above normal temperatures and dry weather in the Eastern Ukraine and Northern Caucasus have increased the risk of less-than-optimum grain yields.

Sowing of spring grains started slowly but soon afterward accelerated. The seeding pace as of May 10 exceeded that of 1980-81, but lagged behind that of 1976-79. The delayed start is attributed to the 10- to 14-day late arrival of spring in the south European part of the USSR.

The weather, the slow start of sowing and the likelihood of a reduced grain area—perhaps the smallest total grain area since 1972—suggest that 1982 production will fall far short of the official target of 238 million tons. However, 1982 output is expected to be higher than that of 1981.

During 1982/83, the area allocated to wheat is expected to decline by 3 percent to 57.5 million hectares. Coarse grain acreage should increase by about 1 percent to 58.5 million hectares.

More Grain Needed for Livestock

Livestock inventories in the socialized sector on May 1, 1982, showed record levels of cattle (including cows) and poultry but a decline in hogs, sheep, and goats.

As a result of shortages in feed supplies, most livestock inventories are being maintained at the cost of extremely light weights and low productivity. Average weights of cattle and hogs sent to slaughter during January-April 1982 were 350 and 98 kilograms, respectively; as compared with 361 and 101 kilograms a year earlier. Feed shortages and poor roughage availabilities resulted in a 1-percent decline in hog numbers and a 5-percent drop in milk yields per cow.

In April 1982, the number of slaughtered cattle, poultry, sheep, and goats on state and collective farms showed no major deviation from normal patterns. Hog slaughter remained near normal in April, in contrast to March when 500,000 head of hogs were drawn down, suggesting that some adjustment had to be made owing to poor grain availability. Aside from the poor feed grain supplies in 1982, greatly reduced supplies of potatoes and sugar beets from the bad 1981 harvests have compounded the stress situation for hogs, which in the past have borne the brunt of feed shortage adjustments. It is apparent that hog numbers, as cattle numbers, are being maintained at the cost of light weights and lower productivity.

Total meat output (live weight) in the socialized sector during January-April 1982 fell 2 percent below that of a year earlier. Milk production also continued to decline, falling 4 percent. By contrast, egg output continued on an uptrend of 2 percent.

Other Producers Hope for Better Year

Like the grain producers, Soviet oilseed and sugar beet farmers in 1982 are trying to recover from a disastrous 1981. The Soviets plan to increase oilseed and sugar beet yields primarily through increased application of machinery, fertilizers, and chemicals.

The 1982 Soviet production target for sunflowerseed is 6.54 million tons, which is not likely to be met. Sowing was delayed, increasing the crop's susceptibility to damage from hot weather. On the other hand, prospects for the cotton crop are very good. This year's sowing pace was the fastest in several years.

The Soviet production target for sugar beets appears unrealistic. The 1981-85 target calls for annual output of 100 to 103 million tons. To meet this goal, production during 1982-85 would have to average 10 million tons more than the USSR's best beet crop. The pace of sugar beet sowing has been slow—similar to that of 1979-81, but behind 1972-78.

Imports Strain Hard Currency Reserves

A heavy volume of imports will be required to meet shortages caused by 1981 crop failures. Grain imports during 1982/83 (July-June) are forecast at 42 million tons, second only to 1981/82's record 46 million. Of this, 16 million tons will likely be wheat; 25 million, coarse grains; and 1 million, miscellaneous grains.

As of early June, the Soviets had bought almost 14 million tons of U.S. grain during the sixth year of the U.S.-USSR Grain Agreement. Total U.S. grain sales to the Soviets may approach 18 million tons by September 30, when the present agreement expires. Regardless of whether the current agreement is extended or replaced by a new one, the Soviets are expected to remain a major importer of U.S. grains. The advantage of signing a minimum purchasing agreement is that it guarantees some U.S. sales even during good Soviet grain years, rather than leaving the United States in the riskier role of residual supplier.

The major Soviet oilseed import will be soybeans, estimated to approach 2 million tons in 1982. Sugar imports are projected at 3.8 million tons.

During 1982, the Soviets are expected to accrue a trade deficit, not only with their grain suppliers but also with nonsocialist countries as a group. Soviet hard currency earnings from energy exports, particularly oil, are expected to be below those of 1981. Given the prevailing low price of gold, the Soviets are expected to continue to seek out further hard currency credits throughout the year. [Tom Bickerton (202) 447-8382]

Eastern Europe

Higher Grain Output Expected

Following near-excellent fall sowing conditions in 1981, cool temperatures delayed 1982 spring planting in the region. Sowing in most countries was approximately 1 to 2 weeks behind 1981's pace, and in Romania, initial good spring weather turned unfavorable and slowed sowing. The winter grains emerged relatively well with no above-average winterkill reported. Larger area sown in

fall 1981, plus re-seeding with spring grains, should offset any winter damage and allow the region to recoup area losses from 1981. Total grain area will likely return to 1980's 28.7 million hectares, up from 28.4 million in 1981. Production is estimated between 95 to 97 million tons, with the upper figure possible if summer weather favors corn development. Supplies of fertilizers and plant protection agents remain inadequate, particularly in Poland and Romania.

Little Change in Production and Area of Other Crops

Soybean, sunflowerseed, and rapeseed production will be, at best, only slightly above 1981's 3.87 million tons. The larger rapeseed area in fall 1981 has been offset by above-average winterkill in Poland and Czechoslovakia. Soybean area will expand significantly in Yugoslavia but will remain the same elsewhere. The area planted to sunflower seed will be up only marginally throughout the region.

Sugar beet area should remain close to last year's 1.55 million hectares, as countries look to higher yielding seeds, improved machinery, and more efficient beet processing to raise beet and sugar output. The outlook for the 1982 potato crop is mixed. There may be a slight decline from 1981's 3.64 million hectares, but supplies of seed potatoes are more ample than last year. Potato quality in Poland could suffer once again, however, because of inadequate fertilizer and chemical supplies, resulting in the third straight year of tight supplies.

Further Declines in Imports Anticipated

USDA estimates July 1981-June 1982 grain imports at 13.1 million tons, almost one fourth below 1980/81. Inadequate supplies of foreign currency and decreased access to credit, especially in Poland and Romania, account for the estimated decline. The availability of credit has become more than ever the determining factor in Eastern European grain imports, and the current reluctance of bankers to lend in the region should result in even lower imports in 1982/83. These are currently estimated at just over 12 million tons.

Imports of oilseeds and oil meal in 1982 will be down substantially from a year earlier. Soybean imports are estimated at 615,000 tons, and soybean meal purchases should be approximately 3.5 million tons—down from 620,000 and 4.1 million tons, respectively, in 1981. Imports of oilmeal from the United States will be particularly hard hit by the decline.

The drop in feed imports has caused almost every country in the region to scale down growth targets in the livestock sector. Cattle and sheep raising is favored over hog and poultry production, which is more dependent on concentrated feeds. The rising per capita consumption of livestock products that occurred during the 1970's in Eastern Europe has halted. Per capita grain consumption for food, which had been declining for years, has increased in some countries, and Polish authorities plan per capita meat consumption of 60 kilograms for 1985, well below the 64 consumed in 1981 and the 74 in 1980.

Food Price and Supply Problems

Faced with mounting subsidies to agricultural producers and consumers, most countries raised procurement prices or initiated procurement bonuses for 1982 crops. Also, official retail food prices in all countries, except in the German Democratic Republic, are higher this year than last. In Poland, meat prices are 260 percent higher; dairy products, 250 percent; and sugar, 350 percent.

Grain procurements from private farmers continue to fall behind year-earlier levels in Poland, raising the possibility of flour shortages later this year. Since March, feeder hog prices and the number of serviced sows have fallen, indicating a possible decline in hog raising profitability. Also, low poultry meat supplies should continue to decline, because shortages of imported corn are forcing broiler factories to close. Even though overall procurement prices for 1982 were raised 21 percent in Poland, the increase will provide little incentive to expand output because production costs continue to rise and, in any case, farmers cannot find an adequate supply of retail goods on which to spend their money. (Robert Cummings (202) 447-8380)

China

Farm production registered substantial gains in 1981, and further, although somewhat smaller, improvement is likely in 1982. Grain production last year rose by 2 percent, and oilseed, sugar, and cotton crops hit records. Livestock product output also rose. Improved production and tighter control over foreign exchange expenditures contributed to lower agricultural imports this year. Early production prospects for 1982 point to increases for most crops, although wheat output is likely to be off. Some increase in grain imports is expected in 1982/83, but purchases of soybeans and cotton may decline.

Good Results in 1981

Final 1981 production figures released in April contained no major surprises. Grain production reached 238.4 million tons, 2 percent over 1980, but still 2.1 percent below the 1979 record. The drop from 1979 was largely due to lower area. Rice yields were a record; wheat and coarse grains yields were only marginally below their peaks. Production of wheat and rice were both higher, but coarse grains dropped, mainly because of a shift of corn area to other crops, particularly soybeans.

Production of most other crops increased. Oilseed output rose 19 percent, largely because of a 71-percent jump in rapeseed production and a 17-percent increase in soybeans. Farmers responded to higher government soybean prices by boosting area by at least 10 percent. Cotton, sugarcane, and sugar beet crops set records, and tobacco production rebounded from a poor 1980 crop. Livestock product output also rose, although meat production—up 4.6 percent—grew more slowly than in the previous 3 years.

Larger crops contributed to China's lower imports of farm products in 1981/82. Wheat imports will be only about 12.7 million tons, 8 percent less than in 1980/81. Cotton imports of 570,000 tons will be down about 19 percent. A rise of 60 percent in corn imports, to 1.3 million tons, will only partially offset the drop in imports of other products. Because of these smaller import quantities, U.S. farm exports to China in fiscal 1982 may total only about $1.9 billion, a 13-percent drop from 1981. Despite this decline, China will be the 6th largest export market for U.S. farm products this year.

Continued Growth in 1982

Agriculture continues to be a high priority sector in China's development plans, but there will be little increase in government support this year, and supplies of inputs, such as fertilizer, are growing more slowly. These factors, together with poor spring weather in northern China, will hold 1982 growth in farm production below that of the last several years.

Early projections are for a 56.5-million-ton wheat crop, down 2 million from last year because of lower acreage and drought in important parts of the North China Plain. The area of fall-harvested grains—rice and coarse grains—will again be down, although higher yields should push production up, unless the weather is poor. Total grain production, however, is likely to fall short of the 2.6-percent increase planned for the year.

The Government is trying to stabilize grain area this year, following a decline of nearly 6 percent between 1978 and 1981. This effort will not be completely successful, but the last 3 year's rapid increase in area planted to such crops as cotton, oilseeds, and sugar should slow. Soybeans will likely be an exception. The Government is trying to encourage further increases in area—largely at the expense of corn—and 1982 production is expected to rise to 10 million tons, 8 percent over 1981. While there will be no large increase in the area of other major oilseeds or cotton this year, higher yields will likely result in modest increases in production.

Agricultural imports are expected to show very little overall growth in 1982/83 because of improved domestic supplies and continued caution about import commitments. Wheat imports are projected to rise by about 10 percent, but purchases of cotton and oilseeds will likely be down. [Frederic M. Surls (202) 447-8676]

Asia

Import Demand Slackens in East Asia

Relatively slow economic growth in the high-income East Asian countries continues to curtail demand, especially for livestock products. This will keep animal feeding from resuming strong growth for most of 1982, but some increase in coarse grain imports is expected. As for textiles, the outcome of EC and U.S. talks is likely to limit imports from Korea, Taiwan, and Hong Kong. As a result, U.S. cotton exports might shift to less developed Asian countries not affected by anticipated limitations.

East Asian wheat imports are forecast to grow only marginally in 1982 because of the high consumption already achieved, slower economic growth, and increased concern over trade deficits. Rice output is again expected to be favorable in 1982, with unwanted surpluses keeping prices down. Thailand and Burma will have difficulty in achieving rice export goals because of reduced demand in traditional importing countries, such as Indonesia and South Korea.

South Korea's economic recovery is being threatened by slow growth in exports and slack domestic demand. Rice stocks are high, but the Government decided on May 11 to award a contract for the final 370,000 tons of California rice it had earlier agreed to take. Lower feed costs and improved livestock prices have encouraged livestock producers, and feed use may show a substantial upturn in the second half of 1982.

Indonesia had another bumper main-season rice harvest in 1982 (April-June), further adding to the stock problems that became evident in 1981. Wholesale rice prices have been depressed to the point where the Indonesia price support program now requires a substantial budgetary subsidy. Lack of adequate storage space and the deteriorating quality of rice already in storage remain serious problems. The 1982 total rice harvest is expected to match or exceed 1981's record 22.3 million tons, but Indonesia will still import about 300,000 tons to satisfy long-term purchase contracts.

Thailand continues its efforts to dispose of the large crops produced in 1981/82. Corn and sorghum stocks have dropped to low levels because both exports and domestic feeding activity have been lively. Despite a record 4-million-ton harvest in 1981, the price of corn has now reached $152 a ton, the highest in 2 years. A record planted corn area has been reported.

Rice stocks remain huge, and the Government has continued to reduce its export levies, thereby lowering export prices to make Thai rice more competitive. On May 12, one of the levies, the rice reserve requirement, was eliminated after progressive reductions over the past 6 months. Nevertheless, Thailand's effort to reach its 3.3-million-ton export goal for 1982 was hurt by relatively slow movement in the first quarter. Prospects for cassava pellet exports in 1982 have improved because of an April 30 tentative agreement with the EC to allow 5 million tons into the Community this year.

Thai sugarcane output from 1981, 30 million tons, has been milled into 2.6 million tons of raw sugar, but the Thai ISA quota has been reduced to 1.2 million, leaving Thailand with an unwanted surplus of about 700,000 tons after domestic consumption.

Extremely dry weather held the 1982 Philippine sugar crop to 2.3 million tons, 5 percent below the 1981 harvest. The reduced output will likely mean that the Philippines will be unable to meet its sugar export quota for the second consecutive year. During 1981, the Philippines fell 264,000 tons short of its ISA quota. The shortfall, coupled with the one anticipated for 1982, has further aggravated the country's serious trade deficit. On the brighter side, good rainfall during May has permitted timely planting of cane for next year's harvest, which the country hopes will be a bumper one.

Poor Weather Hurts South Asian Harvests

Bad weather in several South Asian countries in recent months has damaged 1982 crop prospects. Unusually heavy rains caused substantial post-harvest damage in India, and heavy preharvest and post-harvest losses in Pakistan. The worst drought in a century may lower Sri Lanka's rice crop by at least 20 percent and cause food grain imports to rise. The drought has also curtailed the country's capacity to generate electrical power.

Heavy unseasonal rains during March-May in the areas of northern India that grow surplus wheat damaged the crop and increased the possibility of additional wheat imports during 1982, particularly if the Government opts to continue rebuilding low food grain stocks. The crop is still estimated at a record 37.5 million tons, and Government procurement has picked up due to reduced quality standards. However, the quality of the wheat has been seriously affected because of a lack of grain-drying facilities.

India's 1982/83 wheat imports are currently forecast at 2.0 million tons but could be as high as 3 to 4 million, depending on the level of procurement, and public distribution and stock-building goals. The distribution of

wheat decreased and rice increased during 1981/82 in an effort to conserve wheat stocks. But, declining rice stocks and continued pressure on cereal prices may force more wheat distribution during 1982/83. While wheat imports and a record rice procurement helped improve the Government's overall stock position during 1981/82, stocks, which stood at 10.4 million tons in March 1982, remained substantially below the 15 to 18 million tons targeted for operational and buffer purposes at that time of year.

The outlook for India's spring 1981/82 oilseed and pulse harvests remains bright. Improved spring 1982 harvests of peanuts and rapeseed are expected to help boost Indian vegetable oil production about 3.2 million tons and to reduce 1982 imports to about 1.1 million tons, compared with 1.35 million in 1981. U.S. exports of soybean oil to India, which dropped sharply in 1981 because of competition from Brazil, continued to fall during the first quarter of 1982. U.S. soybean oil exports during January-March 1982 were only 2,453 tons, compared with 31,765 a year earlier.

Pakistan is being plagued by heavy rains that have delayed the wheat harvest in Punjab—where wheat is the major crop. Yields have been hurt in that province, and it now appears that Pakistan may not attain its 1981/82 target of 12.2 million tons. It is estimated that wheat output may be between 9.5 and 10.5 million tons, provided there are no more damaging rains during the remainder of the harvest.

The food grain situation in Bangladesh remains critical. Although good weather is expected to push winter food grain production to a record 3.7 million tons, the drastic 8-percent decline in 1981 summer rice production continued to generate upward pressure on rice prices. To stabilize prices and replenish food stocks, the Government of Bangladesh recently negotiated emergency concessional purchases of more than 400,000 tons of rice and wheat. Hence, food stocks as of July 1, 1982, are now forecast at a manageable 700,000 tons, still far below the 1.1-million-ton target established as part of the P.L. 480, Title III agreement with Bangladesh. [E. Wayne Denney (202) 447-8229]

Africa and the Middle East

Nigeria's Oil Export Earnings Fall

Nigeria's first-quarter oil export earnings reached an estimated $3.63 billion as production averaged between 1.3 and 1.4 million barrels a day. Although April production fell below 1 million, production in May exceeded 1.3 million, so the average for this quarter will likely reach the OPEC established ceiling of 1.3 million barrels a day. Earnings may therefore increase during the present quarter. Still, the shortfall will persist.

The lowered earnings are straining the Nigerian economy, causing a drawdown in foreign exchange reserves and creating a huge current-account deficit. Last year's deficit reached $6.5 billion, and for the first 3 months of 1982, it totaled $2.8 billion. If this rate were projected to year's end, the deficit would be at least $7 billion. Given the resources available in world financial markets and the reluctance of banks to make such large loans, financing such a deficit would be virtually impossible. The monthly import bill, which reached an average $1.8 billion in 1981, caused reserves to dwindle to less than $1.5 billion by March 1982, from $10 billion in January 1981.

To solve the crisis, the National Assembly approved the Economic Stabilization Act, giving President Shagari extensive emergency powers to control spending and restrict imports. Under the new regulations, imports of many items were banned, particularly luxury items, cars, spare parts, and many manufactured products. Duties have been increased on many other goods, and advance deposits against letters of credit are required. In addition, unused import licenses have been recalled. All of these measures are intended to control foreign exchange outflows. Other measures have been introduced to control smuggling, which has become a major concern of the Government, for it undercuts legitimate businesses.

Even with the enactment of these restrictions, it is uncertain whether Nigeria can control the import spending to which it has become accustomed, because the bureaucracy may be unable to enforce the restrictions. Doing business could become more cumbersome than it is at present, thereby discouraging people from trading in Nigeria. Still, politically it will be essential to maintain imports, particularly of food products, and the Government will have little choice but to do so. Trade in other commodities will have to be curtailed if the decline in foreign reserves is to be stemmed and the current-account deficit is to be reduced.

Of importance to the United States is the effect of Nigeria's financial crisis on grain imports. Rice has been exempted from restrictions, and although duties on wheat products have been raised, it seems unlikely that grain imports will decline. Estimates are that 1.5 million tons of wheat and wheat flour will be imported, as well as over 600,000 tons of rice. Nigeria's purchases of U.S. agricultural products should not decline, because imports during the first half of Fiscal 82 have been running ahead of last year. U.S. agricultural sales should exceed $600 million.

Southern African Corn Harvest Down

After record corn crops in Zimbabwe, Malawi, and South Africa in 1981, harvests are down in 1982. Rains were generally poor, and although the area planted changed little from 1981, production will be down approximately 40 to 45 percent from last year. In Zambia, the area planted to corn increased, but the harvest will also be down, with substantial imports expected.

In South Africa, corn, sorghum, and total oilseed output is estimated at 60 percent of last year's high levels. Corn output is estimated at 8.3 million tons, down 43 percent. With record corn stocks on hand and consumption at about 7.1 million tons, South Africa will continue to export in 1982/83, but at a lower rate of about 4.2 million tons. However, no sorghum exports are expected.

Zimbabwe's corn production, at 1.6 million tons, will be down 47 percent from 1981's record. Zimbabwe also has a record carryover of 1.1 million tons, and despite rapidly increasing domestic consumption, estimated at 1.7 million tons, it will be able to export about 500,000 tons of corn during 1982/83. Some sorghum is also available for export. These exports will probably be limited to neighboring countries including Zambia, Zaire, and Botswana. Zambia's corn imports could total 300,000 tons. The Government of Botswana has declared a drought emergency and requested assistance. It will require increased imports of corn from South Africa and corn and sorghum from Zimbabwe. In Zimbabwe, the drought has been severe in the south and west. To prevent and reduce losses of range cattle, many are being sold or moved off the dry lands as transport is available.

Better Prospects for North African Grains

Prospects are for better wheat and barley crops in northwest Africa in 1982. The increase comes mainly from Morocco, where the crops may be as much as 65 percent above 1981's record-low 2.1 million tons. In Algeria, the crops are expected to be at least as good as 1981's 2.4 million tons. Tunisia's wheat and barley production is estimated at about 1.2 million tons, about the same as in 1981.

Despite the increased production in Morocco, Maghreb countries' (Algeria, Morocco, Tunisia) wheat imports are expected to remain at 1981's almost 5 million tons, of which the United States will supply about 1.75 million, slightly above last year's level. Feed grain imports are expected to continue an upward trend and may reach 1 million tons in 1982. Expanding poultry production in Morocco, Algeria, and Tunisia will require more corn. The United States supplied 800,000 tons of corn to the three countries in 1981 and may supply almost all corn imports in 1982.

Mideast Grain Output Down; Imports Up

In countries at the eastern end of the Mediterranean—Cyprus, Israel, Jordan, Lebanon, Syria, and southern Turkey—dry weather, caused by tardy and poorly distributed rains, delayed 1981 cereal planting until the new year and reduced pasture yields by 50 percent in some countries. Hardest hit were Israel and Jordan, where the resulting stunted harvests created a need for larger imports of food and feed grains. Jordan's wheat and barley crops may be as low as the dismal 1979 harvest, requiring imports of over 400,000 tons of wheat, exceeding the 1979/80 record of 355,000 tons. In the following year, imports were only 280,000 tons, including 132,000 from the United States. Jordan normally imports about two-thirds of its food requirements, and with domestic output lower in 1982, the prospects for expanding U.S. sales are excellent for a broad range of foodstuffs.

Lebanon and Syria have not been so seriously hurt by the drought, but they will still probably need some supplemental food and feed to meet demand. Cyprus will also increase imports this year, because dry weather has reduced its agricultural output.

Israel's 1982 harvest is projected at 90,000 tons, less than half of the 1981 output. A drought late in 1981 resulted in the plowing under of one-half of the wheat area early in 1982. Israel's wheat imports will therefore rise substantially from the 500,000 tons imported last year, all from the United States. Feed grain imports—at 1.2 million tons, mostly from the United States—are also projected to increase, because pasture conditions are poor.

Turkey's wheat harvest, currently projected at 13 million tons, may not be sufficient to meet domestic requirements and export commitments. Much depends on the Government-set support prices. If prices are sufficiently attractive to producers, they will sell to the Government. If not, the private trade will be the principal market, and as it did last year, the Government will have to import to meet both domestic demand and export commitments. In 1981/82, Turkey purchased 880,000 tons of wheat, 90 percent from the United States.

Iran and Iraq Food Imports Remain Strong

The war-related transport interruptions through the ports of Iran and Iraq did not slow the overall upward pace of their food imports in 1981. Iran's agricultural imports increased about 30 percent to approximately $3.5 billion, with record purchases of sugar, wheat, mutton, cheese, butter, and rice. EC shipments exceeded $1 billion, with striking gains for sugar, poultry meat, and dairy products.

U.S. shipments of farm products to Iran rebounded in 1981, with over 1 million tons of wheat and considerable quantities of rice and corn (including 230,000 tons shipped through Canada). Australian and Argentine competition reduced U.S. wheat sales to Iran so far this year, and Thailand continues to dominate the rice market, supplying 349,000 of the 630,000 tons imported in 1981.

Iraq has rebounded as a large market for U.S. rice, poultry meat, and eggs but has not yet returned as a customer for wheat and feed grains. U.S. rice sales in 1981/82 reached 250,000 tons, placing Iraq ahead of Saudi Arabia as the Mideast's leading market for our exports of long-grain rice. [Michael E. Kurtzig (202) 447-9160]

Latin America

Production Growth Slows

Latin American agricultural production will grow modestly in 1982, following a year of strong gains. Improved 1982 weather was a key factor in many countries. Generous price supports for selected commodities in some countries and a variety of other government-sponsored incentives (e.g., subsidized credit, fertilizer, and seed in Mexico and other countries; creation of a Farmers' Free Market in Cuba; and an import substitution strategy for grains in Nicaragua) were additional factors in the regional picture.

While prospects for 1982 are modestly favorable but mixed, there are several common factors depressing the overall short-term outlook. Except in a few countries (e.g., Colombia and Venezuela), last year's less favorable weather will reduce yields. Additionally, weak commodity prices for Latin American exports and competition from imports are encouraging producers to reduce planted area.

The downturn in most Latin American economies in 1981 is a third factor depressing the production outlook. Slowed or negative economic growth has limited demand growth, which in turn is discouraging production. Another factor in many countries has been lower expectations for producer profits in 1982 due to high interest and inflation rates, high indebtedness, and low prices. Partially offsetting these are recent devaluations in Mexico, Argentina, Brazil, Peru, and Costa Rica, which will aid exports and indirectly encourage production.

In Mexico, agricultural production growth will likely slow to 2 percent, as yields of nonirrigated crops such as corn, dry beans, and sorghum fall from their 1981 records, and because financial constraints prevent the Government from offering as much assistance to farmers as it did in 1981.

Argentina should enjoy moderate growth. Oilseeds will gain sharply because higher sunflowerseed prices at planting time encouraged area expansion. Furthermore, a late-1981 drought caused some corn area to be shifted to soybeans. Grain output, however, will be off about 6 percent to 27 million tons if normal weather prevails. Argentine beef production will be off slightly as producers take advantage of better pastures and greater credit availability to rebuild herds.

Brazil's output growth will slow from 1981's 6.8 percent but will still be strong. Slower growth will result from the January 1982 dry spell that affected soybeans, rice, and corn; the July 1981 frost that hurt the flowering of the 1982 coffee crop; and bad weather for cocoa beans. Weather aside, agriculture remains the priority sector, and various measures have been taken to stimulate output.

Central American prospects are mixed, with an average 2-percent growth forecast for the subregion. Nicaragua will continue to recover from war-disrupted production, while El Salvador will likely suffer another decline in output.

Cuban growth in production should slow from 1981's 6-percent increase as the weather returns to more normal patterns. Production increases in other parts of the Caribbean will be modest at best, because 1981 constraints (shortages of inputs, poor agricultural practices, low prices for export crops, etc.) will continue. It is too early for the Caribbean Basin Initiative to have any impact on production (or trade) in 1982; the initiative is still in the proposal stage.

Exports Rising; Imports Falling

The volume of Latin American agricultural exports, nearly 50 percent of which goes to the United States, will likely increase in 1982 because of higher production of most commodities. Nevertheless, current depressed price prospects suggest that export revenues could stagnate or decline. Weak prices are expected for sugar, cocoa, wheat, corn, beef, soybeans, fishmeal, cotton, and wool. This leaves only coffee, orange juice, and possibly bananas to boost export earnings. Not all higher production will go into exports; coffee and sugar quotas by both exporting and importing countries will limit trade.

Argentina's export supplies for 1982 include 3.8 million tons of wheat, 6.2 million of corn, 5.5 million of sorghum, 2.6 million of soybeans, and 0.5 million of beef. The impact of the Falklands crisis is uncertain at present. Exports during the first quarter quickened in an apparent attempt to avoid possible supply disruptions, but they could slow later in the year and result in no change for 1982 as a whole. Argentina's direction of trade has remained essentially unchanged thus far, because previously signed contracts are not affected by the EC ban.

Brazilian exports will include reductions in soybeans and soybean products because of lower output. However, continued high shipments of coffee, sugar, cocoa beans, orange juice, beef, and broilers are expected.

Large declines in the grain import requirements of Mexico, Brazil, Venezuela, and in Mexican oilseed purchases—all based on sizable production gains—will translate into a lower volume of Latin American agricultural imports in 1982. Foreign exchange shortages in Central America and the Caribbean will also constrain imports, even though low prices will depress their value.

Because of the shrunken markets, U.S. agricultural exports to the region will decline sharply in 1982. The biggest drop will occur in grains, particularly feed grains. Mexico's agricultural imports from the United States could fall 17 percent to $2 billion, dropping Mexico from second to fifth place in the ranks of U.S. agricultural export markets. The reasons are increased production, larger stocks, the private sector's lower purchasing power caused by devaluation, and a switch from U.S. refined sugar to cheaper sources of supplies. Partially offsetting the overall decline in Mexican agricultural imports is an anticipated increase in U.S. shipments of livestock and livestock products to satisfy consumer demand in an election year. Brazilian imports from the United States are not likely to exceed $650 million, down from $710 million in 1981. Higher corn production and lower wheat quotas for the mills are the reasons. [Lisa J. Shapiro [(202) 447-8133]

WORLD FOOD AND TRADE POLICY DEVELOPMENTS

Commodity Agreements

Cocoa Price Defended

At its January 29, 1982, meeting in London, the Council of the International Cocoa Organization (ICCO) agreed to double the 1-cent-a-pound levy, effective October 1, 1982. The 2-cent export levy provides the basis for the Buffer Stock Manager (BSM) to accept a $75 million loan offer from a Brazilian bank consortium. A further levy increase to 3 cents, which would permit additional borrowing, has been deferred until the Council's July meeting.

The current loan will permit continued support purchases of up to 75,000 tons in efforts to support the new floor price of $1.06 a pound. The new support price was triggered when the 100,000-ton purchase limit was reached without world prices rising to the previous floor price of $1.10 within 5 consecutive days. The stock manager had ordered the purchase by March 7, 1982, of the remaining stores of the 35,000-ton offering made in December 1981 by the Cocoa Producers Alliance (CPA). This raised cumulative ICCO purchases to 100,345 tons. The stock manager made purchases at his discretion from Brazil (15,000 tons), Nigeria (8,000 tons), Ghana (6,400 tons), and Cameroon (5,600 tons). Other CPA members are the Ivory Coast, Gabon, Togo, Ecuador, and Colombia. Mexico and Sao Tome have applied for membership. The CPA members are also considering stockpiling 60,000 tons of the 1982/83 crop to assist the ICCO price support operations.

Sugar Agreement Extended

At their November 1981 meeting, members extended the International Sugar Agreement (ISA) for 2 years beyond its December 31, 1982, expiration date. The International Sugar Organization (ISO), the administrative organ for the agreement, agreed to discuss coordination of sugar policies with the EC, which is not an ISA member, but whose participation is deemed essential for successfully stabilizing world sugar prices because of its 2-million-ton sugar stocks.

Also at the meeting, 1982 global export quota of 12.9 million tons was set, based upon an estimate of world free-market demand of 18.3 million tons.

Coffee Quotas Fluctuate

The International Coffee Organization (ICO) set export quotas at 14 million bags (60 kilograms each) for the January-March quarter of 1981/82, because the indicator price was above the $1.20-a-pound threshold on December 1, 1981.

On February 24, 1982, the indicator price—a 15-day moving average—exceeded $1.35, prompting the ICO Council to expand the annual quota of 56 million bags by 700,000 bags. Distribution of quota changes is prorated among members entitled to basic export quotas and dispensed in equal parts over remaining quarters.

However, on May 25, 1982, the indicator price fell below $1.20 a pound, triggering an automatic 1-million-bag reduction in the annual quota. The cut will apply entirely to the April-June third quarter, which will mean exports of 13.224 million bags for the quarter and an annual quota of 55.672 million.

U.S. Jamaica Barter Agreement

The United States and Jamaica announced February 25, 1982, the signing of an agreement to ship 1.6 million tons of Jamaican bauxite to the United States for the strategic stockpile. The President directed the Federal Emergency Management Agency to procure the bauxite during fiscal 1982. Jamaica will receive in return approximately $39 million in foreign exchange, as well as about 7,238 tons of nonfat dry milk and 1,905 tons of anhydrous milk fat, valued at an additional $13 million. The barter arrangement is the first used to acquire strategic raw materials in almost 15 years.

Canada-China Wheat Agreement

The Canadian Wheat Board (CWB) announced May 5, 1982, the signing of a new 3-year agreement with China for 10.5 to 12.6 million tons of wheat. Deliveries will begin in August 1982, with payment either in cash or 12-month credits guaranteed by the Canadian Government. The new agreement replaces the expiring one for 8.4 to 10.5 million tons.

India-USSR Rice Agreement

The Food Corporation of India (FCI) and the Soviet Union's trade organization, Exportkhleb, signed in New Delhi on March 22, 1982, an agreement to supply 175,000 tons of superfine rice to the USSR during July-December 1982. It is not known whether Soviet crude oil or other commodities will be supplied in exchange. A trade protocol signed in December 1981 provides the basis for this latest agreement.

A previous rice export agreement between the Soviet Union and the Indian private rice trade was signed on January 20, 1982. The agreement called for India to supply 200,000 tons of fine rice (variety PR-106) during February-June 1982.

Argentina-Algeria Trade Agreement

Argentina and Algeria concluded at the end of 1981 a 5-year agricultural trade agreement for annual shipments of 180,000 to 360,000 tons of Argentine grains and beans to Algeria: 50,000 to 100,000 of durum wheat; 100,000 to 200,000 of bread wheat; 30,000 to 60,000 of corn; and 5,000 to 10,000 of white beans.

Trade Actions

U.S. Sugar Import Quotas Imposed

On May 5, 1982, the United States imposed an emergency import quota program on sugar in a continuing effort to maintain domestic support prices without resorting to government purchases. The domestic sugar support program took effect December 22, 1981, with the signing of the Agriculture and Food Act of 1981. Sugar import charges—the basic import levy as well as the fee—were subsequently raised to align lower import prices with the government purchase price of 16.75 cents a pound for raw sugar (19.16 cents for refined beet sugar). The basic import duty was raised from 0.625 cent a pound to the legal maximum of 2.8125 cents. The import fee, which is applied to prevent foreign sugar's interference with domestic price support programs, was raised from 1.531 to 2.1418 cents a pound of raw sugar (3.0014 cents refined).

Declining world sugar prices forced increases in the import fee on April 1, 1982, (to 3.0703 cents raw, 4.1782 refined) and again on April 21 (to 4.0703 cents raw, 5.1782 refined). Continuing price declines to below 9 cents a pound precipitated U.S. sugar quotas, to be determined quarterly along with the import fee. However, the import fee may be adjusted more frequently in keeping with sudden changes in world prices.

U.S.-New Zealand Trade

In January 1982, the U.S. National Wool Growers Association withdrew its petition to the International Trade Commission (ITC) for investigation into possible injury to the U.S. sheep industry resulting from imports of New Zealand lamb. In fall 1981, the ITC and the Department of Commerce had begun preliminary investigations into New Zealand subsidization of lamb exports. [Edward C. Wilson (202) 447-8470]

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